SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

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

For the Fiscal Year Ended December 31, 1999

CUMMINS ENGINE COMPANY, INC.

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
(Principal Executive Office)
Telephone Number: (812) 377-5000

Securities registered pursuant to Section 12(b) of the Act: Common Stock, $2.50 par value, which is registered on the New York Stock Exchange and on the Pacific Stock Exchange.

Securities registered pursuant to Section 12(g) of the Act: None.

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes [x] No [ ]

Indicate by check mark if disclosures of delinquent filers pursuant to Item 405 of Regulation S-K are not contained herein and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [x]

The aggregate market value of the voting stock held by non-affiliates was approximately $1.5 billion at January 28, 2000.

As of January 28, 2000, there were outstanding 41.5 million shares of the only class of common stock.

Documents Incorporated by Reference

Portions of the registrant's definitive Proxy Statement filed with the Securities and Exchange Commission pursuant to Regulation 14A are incorporated by reference in Part III of this Form 10-K.

TABLE OF CONTENTS

Part	Item	Description	Page
I	1	Business	3
	2	Properties	11
	3	Legal Proceedings	11
	4	Submission of Matters to Vote of Security Holders	11
II	5	Market for the Registrant's Common Equity and Related Stockholder Matters	12
	6	Selected Financial Data	13
	7	Management's Discussion and Analysis of Results of Operations and Financial Condition	14
	8	Financial Statements and Supplemental Data	20
	9	Disagreements on Accounting and Financial Disclosure	20
III	10	Directors & Executive Officers of the Registrant	21
	11	Executive Compensation	22
	12	Security Ownership of Certain Beneficial Owners and Management	22
	13	Certain Relationships and Related Transactions	22
IV	14	Exhibits, Financial Statement Schedules and Reports on Form 8-K	23

Index to Financial Statements	24
Signatures	63
Exhibit Index	65

PART I

ITEM 1. BUSINESS

OVERVIEW

Cummins Engine Company, Inc. ("Cummins" or "the Company") is a leading worldwide designer and manufacturer of diesel engines, ranging from 55 to 2,700 horsepower and the largest producer of diesel engines over 200 horsepower. The Company also produces natural gas engines and engine components and subsystems. Cummins provides power and components for a wide variety of equipment in its key businesses: engine, power generation, and filtration.

Cummins sells its products to original equipment manufacturers ("OEMs"), distributors and other customers worldwide and conducts manufacturing, sales, distribution and service activities in many areas of the world. Sales of products to major international firms outside North America are transacted by exports directly from the United States and shipments from foreign facilities (operated through subsidiaries, affiliates, joint ventures or licensees) which manufacture and/or assemble Cummins' products.

In 1999, approximately 61 percent of net sales were in the United States. Major international markets include Asia and Australia (12 percent of net sales); Europe and the CIS (12 percent of net sales); Canada (7 percent of net sales) and Mexico and Latin America (6 percent of net sales).

BUSINESS MARKETS

Engine Business

Heavy-duty Truck Market

Cummins has a complete line of diesel engines that range from 280 to 650 horsepower serving the worldwide heavy-duty truck market. All major heavy-duty truck manufacturers in North America offer the Company's heavy-duty diesel engines as standard or optional power. The Company's largest customer for heavy-duty truck engines in 1999 was Freightliner Corporation, a division of DaimlerChrysler. Sales to Freightliner for this market represented seven percent of the Company's net sales in 1999.

In 1999, factory retail sales of North American heavy-duty trucks were 20 percent higher than in 1998, establishing a new industry record. Factory retail sales were 305,000 units in 1999, compared to 254,000 in 1998, and 219,000 in 1997. The Company's share of the North American heavy-duty truck engine market was 31 percent through November 1999, based upon data published by Ward's. The Company's share of the North American heavy-duty truck engine market was 32 percent in 1998 and 1997. The Company has maintained the number one market share position in heavy-duty truck engine sales for 27 consecutive years.

Cummins market share in Mexico grew from 69 percent to 73 percent, positioning Cummins as the market share leader by a very wide margin. The market size in 1999 was 8,800 units for domestic sales.

In South Africa and Australia, the Company also enjoys the number one market position and is a leading supplier of diesel engines in Europe.

In 1999, the Company completed the introduction of its new heavy-duty product line with the launch of the ISL and ISX engines. Cummins offers the ISL, ISM, ISX, N14 and Signature 600 (and Signature 650 in Australia), which comprise the most modern product line in the industry.

In the heavy-duty truck market, the Company competes with independent engine manufacturers as well as truck producers who manufacture engines for their own products. In North America, the Company's primary competitors in the heavy-duty truck engine market are Caterpillar, Inc., Detroit Diesel Corporation and Mack Trucks, Inc. The Company's principal competitors in international markets vary from country to country, with local manufacturers generally predominant in each geographic market. Other diesel engine manufacturers in international markets include Mercedes-Benz, AB Volvo, Renault Vehicles Industriels, Iveco Diesel Engines, Hino Motors, Ltd., Mitsubishi Heavy Industries, Ltd., Isuzu Motors, Ltd., DAF Trucks N.V. (a subsidiary of Paccar, Inc.), Scania A.B. and Nissan Diesel.

Medium-duty Truck Market

The Company has a line of diesel engines ranging from 185 to 300 horsepower serving medium-duty and inter-city delivery truck customers worldwide. The Company has the most modern product line in the industry, which is served by the ISB and ISC diesel engines.

The Company entered the North American medium-duty truck market in 1990. Based upon data published by R. L. Polk, the Company's share of the market for diesel-powered medium-duty trucks in 1999 was 14 percent through October 1999. Freightliner was the Company's largest customer for this market in 1999, representing 2 percent of the Company's net sales. The Company's market share in 1998 was 19 percent, and the market share in 1997 was 25 percent. The decline in market share is primarily a result of the end of exclusivity with Ford and some share decline at Freightliner.

The Company sells its ISB and ISC series engines and engine components outside North America to medium-duty truck markets in Asia, Europe and South America.

In the medium-duty truck market, the Company competes with independent engine manufacturers as well as truck producers who manufacture diesel engines for their own products. Primary engine competitors in the medium-duty truck market in North America are Navistar International Corporation and Caterpillar, Inc. The Company's principal competitors in international markets vary from country to country, with local manufacturers generally predominant in each geographic market. Other diesel engine manufacturers in international markets include Mercedes Benz, AB Volvo, Renault Vehicles Industriels, Iveco Diesel Engines, Hino Motors Ltd., Mitsubishi Heavy Industries, Ltd., Isuzu Motors, Ltd., DAF Group N.V., Scania A.B., Perkins Engines Ltd., Nissan Diesel and MWM Brazil.

Bus Market

Cummins offers both diesel- and alternate-fueled engines for school buses, transit buses and shuttle buses.

In 1999, Cummins was the market share leader for transit buses, a position it first achieved in 1998. Cummins offers the ISB, ISC, ISL and ISM engines for the bus markets. Cummins also offers the L10, B and C series products for natural gas applications, which are primarily focused on transit and school bus markets. The demand for alternate-fueled products continues to grow both domestically and internationally.

In these markets, the Company competes both with independent manufacturers of diesel engines and with vehicle producers who manufacture diesel engines for their own products. Primary competitors who manufacture diesel engines for the bus and light commercial vehicle markets are Detroit Diesel Corporation, General Motors Corporation, Navistar International Corporation, Caterpillar, Inc., AB Volvo, DaimlerChrysler, Scania A.B. and MWM Brazil.

Light Commercial and Specialty Vehicles

Cummins offers the ISB for pickup trucks, primarily in the Dodge Ram pickup truck in North America and for Ford in Brazil. DaimlerChrysler was the Company's largest customer for midrange engines in this market and the Company's number one customer when all markets are considered, with 19 percent of the Company's net sales in 1999.

Cummins is the market leader in the class A recreational vehicle market with a market share of 24 percent. This represents a 75 percent share of diesel-powered recreational vehicles, and a strong growth from gasoline to diesel power for this application.

Industrial Markets

Cummins engines power a wide variety of equipment in the construction, mining, agricultural, marine, rail and government markets throughout the world. The major construction equipment manufacturers are in North America, Europe, Korea and Japan. Construction equipment manufacturers build approximately one million pieces of equipment per year for a diverse set of applications. The agriculture market produces about 340,000 pieces of equipment per year above 75 horsepower, which is the focus market segment for Cummins. The Company has the dominant share of the four-wheel drive agricultural tractor market. In marine markets, about 35,000 diesel-powered pleasure boats and 10,000 commercial boats are built every year. Major marine markets are North America, Europe and Korea. Mining market customers are located in North America, Europe and Japan. Cummins offers a full product line for mining applications that compete in all segments, including 240- and 300-ton trucks. Rail and government represent a small portion of industrial markets. The rail market activity is primarily in Europe and Asia, and the government market is primarily in North America.

A series of new product introductions was completed in 1999, including the QSB5.9, the QSC8.3 and the QSX15 electronic engines. In addition, the B3.3 engine, developed with our joint venture partner Komatsu, was launched in 1999. For the marine market, introductions in 1999 included three ratings of the electronic QSM11 engine, a full product line of shipboard auxiliary units and upgrades of the entire product line to meet the International Maritime Organization's emissions requirements for January 1, 2000. The Company completed the successful introduction of the 2,700-horsepower QSK60 to the mining markets, which extends Cummins product range to power 300-ton haul trucks and 90-cubic-yard excavators.

Power Generation Business

In 1999, power generation sales represented 20 percent of the Company's net sales. The strategic mission of Cummins Power Generation is to work in partnership with its customers to provide "powerful solutions." The Power Generation business is vertically integrated and manufactures all of the components that make up power generation systems, including engines, alternators, switches, switchgear and controls. Cummins Power Generation also provides a range of services including long-term maintenance contracts, turnkey power solutions and generator set rentals.

Cummins offers reciprocating engine-based power generation systems worldwide with a power range of 2 kilowatts to 2 megawatts. Engines are offered with a choice of fuels: diesel, natural gas and gasoline-fired.

During 1999, Cummins and Wartsila agreed to divide the operations of their joint venture, Cummins Wartsila. While the products have excellent potential in the marketplace, future growth can best be achieved by integrating the products into the parent companies' sales and distribution networks. Cummins will take over the manufacture and global sales and service of the CW 170/180 product line under the designation QSV engine series.

Newage, a subsidiary of Cummins Power Generation, is a leader in the alternator industry, supplying alternators with a range up to 4 megawatts.

Cummins Power Generation competes on a global scale with a variety of engine manufacturers and generator set assemblers. Caterpillar, Inc. remains the primary competition, with its acquisition of MAK, Perkins and FG Wilson. Detroit Diesel Corporation and AB Volvo are other major engine manufacturers with a presence in the high-speed segment of the market. Onan brand sets compete in the mobile business segment and have a leading market share exceeding 80 percent. Newage competes globally with Emerson Electric, Marathon and Meccalte, among others.

Filtration Business and Other

Fleetguard, Cummins' Filtration Business, is a leading designer and manufacturer of filtration systems for heavy-duty equipment. Its products are produced and sold in global markets, including Europe, North America, South America, Australia, Africa and Asia. Nelson, purchased in 1998, designs and manufactures air filtration and exhaust systems and distributes in the same markets. Together, Fleetguard and Nelson provide a complete business solution for their customers. Other markets include small engine filtration and exhaust systems for small equipment. The Filtration Business also produces products for the automotive specialty filtration market and the industrial filtration market through its two subsidiaries, Kuss, located in Findley, Ohio, and Universal Silencer, located in Stoughton, Wisconsin.

Cummins owns 16 distributorships, most of them located outside of the United States. Distributors sell loose engines and service parts as well as perform service and repair activities on Cummins products.

Holset's turbochargers are sold worldwide. Holset's joint venture with TELCO assembled and shipped its first turbochargers in 1996. A joint venture with Wuxi in China also began production in 1996. During 1997, the vibration attenuation business was sold to Simpson Industries. The Company continues an alliance with Mitsubishi Heavy Industries of Japan for production of jointly developed turbochargers. In 1999, Holset began full production of a variable geometry turbocharger designed for truck powertrains.

BUSINESS OPERATIONS

International

The Company has manufacturing facilities worldwide, including major operations in Europe, India, Mexico and Brazil. Parts distribution centers in Brazil, Mexico, Australia, Singapore, China, India and Belgium are strategically located to supply service parts to maintain and repair Cummins engines.

The Company has entered into alliances with business partners in various areas of the world.

In 1997, the Company acquired an additional 1 percent of the outstanding shares of Kirloskar Cummins Limited, becoming the majority owner, and changed the name to Cummins India Limited. This business is now consolidated into Cummins financial statements.

In 1996, a joint venture was formed with two of the Fiat Group companies - Iveco (trucks and buses) and New Holland (agricultural equipment) - to design and manufacture the next generation of 4-,5-, and 6-liter engines based on Cummins 4- and 6-liter B series engines. Operations of Dong Feng in China were expanded to form a joint venture for production of a C series engine in addition to the license for B series engines.

In 1995, the Company formed a joint venture with China National Heavy Duty Truck Corporation in Chongqing, previously a Cummins licensee, to manufacture a broad line of diesel engines in China.

Cummins and Scania have a joint venture to produce a fuel system for heavy-duty diesel engines. Cummins also has a joint venture with TELCO to manufacture the Cummins B series engines in India for TELCO trucks. Cummins and Komatsu have formed joint ventures to manufacture the B series engines in Japan and high-horsepower Komatsu designed engines in the United States. In 1997, a third joint venture with Komatsu to design next-generation industrial engines was announced.

Cummins has entered into license agreements that provide for the manufacture and sale of the Company's products in Turkey, China, Pakistan, South Korea, Indonesia and other countries.

Several of the Company's subsidiaries have operations throughout the world.

Because of the Company's global business activities, its operations are subject to risks, such as currency controls and fluctuations, import restrictions and changes in national governments and policies.

Research and Development

Cummins conducts an extensive research and engineering program to achieve product improvements, innovations and cost reductions for its customers, as well as to satisfy legislated emissions requirements. The Company is nearing completion of a program to refurbish and extend its engine range. Cummins has introduced a variety of concepts in the diesel industry that combine electronic controls, computing capability and information technology. The Company also offers alternate fueled engines for certain of its markets. As disclosed in Note 1 to the Consolidated Financial Statements, research and development expenditures approximated $220 million in 1999, $230 million in 1998, and $250 million in 1997. The Company continues to invest in technologies to meet increasingly more stringent emissions standards.

Sales and Distribution

While the Company has supply agreements with some customers for Cummins engines in both on- and off-highway markets, most of the Company's business is done on open purchase orders. These purchase orders usually may be canceled on reasonable notice without cancellation charges. Therefore, while incoming orders generally are indicative of anticipated future demand, the actual demand for the Company's products may change at any time. While the Company typically does not measure backlog, customers provide information about future demand, which is used by the Company for production planning. Lead times for the Company's engines are dependent upon the customer, market and application.

While individual product lines may experience modest seasonal declines in production, there is no material effect on the demand for the majority of Cummins' products on a quarterly basis. The power generation business, however, normally encounters seasonal declines in the first quarter of the year.

The Company's products compete on a number of factors, including performance, price, delivery, quality and customer support. Cummins believes that its continued focus on cost, quality and delivery, extensive technical investment, full product line and customer-led support programs are key elements of its competitive position.

Cummins warrants its engines, subject to proper use and maintenance, against defects in factory workmanship or materials for either a specified time period or mileage or hours of use. Warranty periods vary by engine family and market segment.

There are approximately 8,900 locations in North America, primarily owned and operated by OEMs or their dealers, at which Cummins-trained service personnel and parts are available to maintain and repair Cummins engines. The Company's parts distribution centers are located strategically throughout the world.

Cummins also sells engines, parts and related products through distributorships worldwide. The Company believes its distribution system is an important part of its marketing strategy and competitive position. Most of its North American distributors are independently owned and operated. The Company has agreements with each of these distributors, which typically are for a term of three years, subject to certain termination provisions. Upon termination or expiration of the agreement, the Company is obligated to purchase various assets of the distributorship. The purchase obligation of the Company relates primarily to inventory of the Company's products, which can be resold by the Company over a reasonable period of time. In the event the Company had been required to fulfill its obligations to purchase assets from all distributors simultaneously at December 31, 1998, the aggregate cost would have been approximately $333 million. Management believes it is unlikely that a significant number of distributors would terminate their agreements at the same time, requiring the Company to fulfill its purchase obligation.

Supply

The Company manufactures many of the components used in its engines, including blocks, heads, rods, turbochargers, crankshafts and fuel systems. Cummins has adequate sources of supply of raw materials and components required for its operations. The Company has arrangements with certain suppliers who are the sole sources for specific products. While the Company believes it has adequate assurances of continued supply, the inability of a supplier to deliver could have an adverse effect on production at certain of the Company's manufacturing locations.

Employment

At December 31, 1999, Cummins employed 28,500 persons worldwide, approximately 10,300 of whom are represented by various unions.

The Diesel Workers' Union (DWU) represents employees at several Southern Indiana plants, under two contracts. In 1993, members of the DWU working in a majority of the Company's Southern Indiana manufacturing facilities ratified an agreement that extends until the year 2004. In 1995, members of the DWU at the Company's midrange engine plant ratified a five-year agreement. The Company plans to enter into negotiations with the DWU at the Southern Indiana midrange plant prior to the expiration of the contract in 2000.

The Office Committee Union (OCU) represents technical and administrative employees at the Company`s Southern Indiana facilities, including its Technical Center, under two contracts. In 1995, members of the OCU at the Company's midrange engine plant in Southern Indiana ratified a five-year agreement. The Company plans to enter negotiations with the OCU prior to the expiration of the contract in 2000. In 1999, members of the OCU ratified a five-year agreement for offices and other plants in Southern Indiana and the Company's Technical Center.

The International Association of Machinists (IAM) represents employees at the Company's remanufacturing plant in Memphis, Tennessee, under a three-year agreement which was ratified in 1997. The Company plans to enter negotiations with the IAM before the expiration of its current contract in 2000.

The Union of Needletrades, Industrial and Textile Employees represents employees at the Company's filtration product plan in Findlay, Ohio, under a five-year agreement which was ratified in 1997.

The United Auto Workers represents employees at the Company's filtration products plant in Cookeville, Tennessee, under a three-year agreement ratified in 1999.

The Company has other labor agreements covering employees in North America, South America, the United Kingdom and India.

ENVIRONMENTAL COMPLIANCE

Product Environmental Compliance

Cummins engines are subject to extensive statutory and regulatory requirements that directly or indirectly impose standards with respect to emissions and noise. Cummins' products comply with emissions standards that the US Environmental Protection Agency ("EPA") and California Air Resources Board ("CARB"), as well as other regulatory agencies around the world, have established for heavy-duty on-highway diesel and gas engines and off-highway engines produced through 2000. Cummins' ability to comply with these and future emissions standards is an essential element in maintaining its leadership position in regulated markets. The Company will make significant capital and research expenditures to comply with these standards. Failure to comply could result in adverse effects on future financial results.

Cummins has successfully completed the certification of its 2000 on-highway products, which include both midrange and heavy-duty engines. All of these products underwent extensive laboratory and field testing prior to their release.

In October 1998, Cummins and other manufacturers of heavy-duty diesel engines entered into a Consent Decree with the EPA, the U. S. Department of Justice and CARB related to concerns they had raised regarding the level of Nitrogen Oxide (NOx) emissions from diesel engines under certain driving conditions. The terms of that Consent Decree are a matter of public record. Cummins has developed extensive corporate action plans to comply with all aspects of the Consent Decree. Additionally, four separate court actions have been filed as a result of allegations of the diesel emissions matter. The New York Supreme Court ruled in favor of the Company. This matter is now on appeal. Two courts in California ruled in favor of the Company. A fourth action was filed in U.S. District Court, for the District of Columbia. A decision on Defendants' Motion to Dismiss is currently pending.

Model year 1998 marked the latest major change in promulgated emissions requirements for heavy-duty on-highway diesel engines when the oxides of nitrogen standard was lowered from 5.0 to 4.0 g/bhp-hr.

Contained in the environmental regulations are several means for the EPA to ensure and verify compliance with emissions standards. Two of the principal means are tests of new engines as they come off the assembly line, referred to as selective enforcement audits ("SEA"), and tests of field engines, commonly called in-use compliance tests. The SEA provisions have been used by the EPA to verify the compliance of heavy-duty engines for several years. In 1999, no such audit test was performed on Cummins engines. The failure of an SEA could result in cessation of production of the noncompliant engines and the recall of engines produced prior to the audit. In the product development process, Cummins anticipates SEA requirements when it sets emissions design targets.

No Cummins engines were chosen for in-use compliance testing in 1999. It is anticipated that the EPA will increase the in-use test rate in future years, raising the probability that one or more of the Company's engines will be selected.

In 1988, CARB promulgated a rule that necessitates the reporting of failures of emissions-related components when the failure rate reaches a specified level (25 component failures or one percent of build, whichever is greater). At somewhat higher failure rates (50 components or four percent of build), a recall may be required. In October 1999, the Company communicated to CARB that a failure of the oxidation catalyst used with certain urban bus engines had experienced failures at a level that necessitates a report. This failure has now reached the level that could require a recall. Cummins has initiated activities to correct these failures on all affected engines in California as well as those in other states.

Heavy-duty engines used in construction, agricultural and certain mining applications are also subject to emission regulations. In the United States such standards were phased in beginning in 1996. In other parts of the world similar standards are applied. Cummins has successfully completed certification of its engines used in these nonroad applications. All of these products have undergone extensive laboratory and field tests prior to their release.

EPA's audit provisions cover certified nonroad engines. In 1999, no Cummins engines were selected for such audit testing.

Emissions standards in international markets, including Europe and Japan, are becoming more stringent. Given the Company's experience in meeting US emissions standards, it believes that it is well positioned to take advantage of opportunities in these markets as the need for emissions-control capability grows.

There are several Federal and state regulations which encourage and, in some cases, mandate the use of alternate fueled heavy-duty engines. The Company currently offers natural gas fueled versions of its C8.3 and B5.9 engines, ranging from 150 to 280 horsepower, as well as a propane-fueled version of its B5.9 engine rated at 195 horsepower.

Vehicles and certain industrial equipment in which diesel engines are installed must meet Federal noise standards. The Company believes that applications in which its engines are now installed meet those noise standards and that future installations also will be in compliance.

Other Environmental Statutes and Regulations

Cummins believes it is in compliance in all material respects with laws and regulations applicable to the plants and operations of the Company and its subsidiaries. During the past five years, expenditures for environmental control activities and environmental remediation projects at the Company's operating facilities in the United States have not been a major portion of annual capital outlays and are not expected to be material in 2000.

Pursuant to notices received from Federal and state agencies and/or defendant parties in site environmental contribution actions, the Company and its subsidiaries have been identified as potentially responsible parties ("PRPs") under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, or similar state laws, at a number of waste disposal sites. Under such laws, PRPs typically are jointly and severally liable for any investigation and remediation costs incurred with respect to the sites. Therefore, the Company's ultimate responsibility for such costs could be a percentage greater than the percentage of waste actually contributed to the site by the Company.

The sites at which the Company or its subsidiaries are currently named as a PRP are the following: Old City Landfill, Columbus, Indiana; White House Waste Oil Pits, Jacksonville, Florida; Seaboard Chemical, Jamestown, North Carolina; Double Eagle Refinery, Oklahoma City, Oklahoma; Wastex Research, East St. Louis, Illinois; North Hollywood Dump, Memphis, Tennessee; Commercial Oil, Oregon, Ohio; Berliner & Ferro, Swartz Creek, Michigan; Schnitzer Iron & Metal, St. Paul, Minnesota; Four County Landfill, Culver, Indiana; Schumann Site, South Bend, Indiana; Great Lakes Asphalt, Zionsville, Indiana; Third Site, Zionsville, Indiana; Auto-Ion, Kalamazoo, Michigan; PCB Treatment Inc., Kansas City, Kansas; ENRx, Buffalo, New York; Uniontown Landfill, Uniontown, Indiana; Sand Springs, Oklahoma; United Steel Drum, East St. Louis, Illinois; Putnam County Landfill, Cookeville, Tennessee; Enterprise Oil, Detroit, Michigan; Wayne Reclamation & Recycling, Ft. Wayne, Indiana; and Casmalia Disposal Site, Santa Barbara, California. The Company presently is contesting its status as a PRP at several of these sites. At some of these sites, the Company will be released from liability at the site as a de minimis PRP for a nominal amount.

While the Company is unable at this time to determine the aggregate cost of remediation at these sites, it has attempted to analyze its proportionate and actual liability by analyzing the amounts of waste contributed to the sites by the Company, the estimated costs for total remediation at the sites, the number and identities of other PRPs and the level of insurance coverage. With respect to other sites at which the Company or its subsidiaries have been named as PRPs, the Company cannot accurately estimate the future remediation costs. At several sites, the remedial action to be implemented has not been determined for the site. In other cases, the Company or its subsidiary has only recently been named as a PRP and is collecting information on the site. Finally, in some cases, the Company believes it has no liability at the site and is actively contesting designation as a PRP.

Based upon the Company's prior experiences at similar sites, however, the aggregate future cost to all PRPs to remediate these sites is not likely to be significant. In each of these cases, the Company believes that it has good defenses at several of the sites, that its percentage contribution at other sites is likely to be de minimis or that other PRPs will bear most of the future remediation costs. However, the environmental laws impose joint and several liability and, consequently, the Company's ultimate responsibility may be based upon many factors outside the Company's control and could be material in the event that the Company becomes obligated to pay a significant portion of these expenses. Based upon information presently available, the Company believes that such an outcome is unlikely and that its actual and proportionate costs of participating in the remediation of these sites will not be material.

In 2000, various plants and facilities of the Company will commence development and implementation of ISO 14001 standards for an environmental management system. The Company anticipates that four of its Central Area plants and five of its North American plants will be certified to ISO 14001 within the next two years.

ITEM 2. PROPERTIES

Cummins' worldwide manufacturing facilities occupy approximately 15 million square feet, including approximately 6 million square feet outside the United States. Principal manufacturing facilities in the United States include the Company's plants in Southern Indiana; Wisconsin; Jamestown, New York; Lake Mills, Iowa; Cookeville, Tennessee; and Fridley, Minnesota; as well as an engine plant in Rocky Mount, North Carolina, which is operated in partnership with Case Corporation.

Countries of manufacture outside of the United States include England, Brazil, Mexico, Canada, France and Australia. In addition, engines and engine components are manufactured by joint ventures or independent licensees at plants in England, France, China, India, Japan, Pakistan, South Korea, Turkey and Indonesia.

Cummins believes that all of its plants have been maintained adequately, are in good operating condition and are suitable for its current needs through productive utilization of the facilities.

ITEM 3. LEGAL PROCEEDINGS

The information appearing in Note 17 to the Consolidated Financial Statements is incorporated herein by reference. The material in Item 1 "Other Environmental Statutes and Regulations" also is incorporated herein by reference.

ITEM 4. SUBMISSION OF MATTERS TO VOTE OF SECURITY HOLDERS

None.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The Company's common stock is listed on the New York Stock Exchange and the Pacific Stock Exchange under the symbol "CUM". The following table sets forth, for the calendar quarters shown, the range of high and low composite prices of the common stock and the cash dividends declared on the common stock.

	High	Low	Dividends Declared
1999			
First quarter	$42 1/4	$35	$.275
Second quarter	58 1/8	36 1/8	.275
Third quarter	64 9/16	49	.275
Fourth quarter	52 9/16	39 1/16	.30
1998			
First quarter	$62 3/4	$51	$.275
Second quarter	57 5/16	49 3/16	.275
Third quarter	56	29 5/8	.275
Fourth quarter	40 7/8	28 5/16	.275

At December 31, 1999, the approximate number of holders of record of the Company's common stock was 4,800.

The Company has repurchased 5.0 million shares of its common stock since 1994. The Company repurchased .7 million shares on the open market at an aggregate purchase price of $34 million in 1999 and .4 million shares on the open market at an aggregate purchase price of $14 million in 1998. In 1997, the Company repurchased 1.3 million shares from Ford Motor Company and another .2 million shares on the open market at an aggregate purchase price of $75 million. The Company repurchased .8 million shares of stock in the open market at an aggregate purchase price of $34 million in 1996 and 1.6 million shares at an aggregate purchase price of $69 million in 1995. All of the acquired shares are held as common stock in treasury.

In 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.

Certain of the Company's loan indentures and agreements contain provisions which permit the holders to require the Company to repurchase the obligations upon a change of control of the Company, as defined in the applicable debt instruments.

The Company has a Shareholders' Rights Plan which it first adopted in 1986. The Rights Plan provides that each share of the Company's common stock has associated with it a stock purchase right. The Rights Plan becomes operative when a person or entity acquires 15 percent of the Company's common stock or commences a tender offer to purchase 20 percent or more of the Company's common stock without the approval of the Board of Directors. In the event a person or entity acquires 15 percent of the Company's common stock, each right, except for the acquiring person's rights, can be exercised to purchase $400 worth of common stock for $200. In addition, for a period of 10 days after such acquisition, the Board of Directors can exchange such right for a new right which permits the holders to purchase one share of the Company's common stock for $1 per share. If a person or entity commences a tender offer to purchase 20 percent or more of the Company's common stock, unless the Board of Directors redeems the rights within 10 days of the event, each right can be exercised to

purchase one share for $200. The plan also allows holders of the rights to purchase shares of the acquiring person's stock at a discount if the Company is acquired or 50 percent of the assets or earnings power of the Company is transferred to an acquiring person.

The Company's bylaws provide that Cummins is not subject to the provisions of the Indiana Control Share Act. However, Cummins is governed by certain other laws of the State of Indiana applicable to transactions involving a potential change of control of the Company.

ITEM 6. SELECTED FINANCIAL DATA

$ Millions, except per share amounts	1999	1998	1997	1996	1995
Net sales	$6,639	$6,266	$5,625	$5,257	$5,245
Net earnings (loss)	160	(21)	212	160	224
Earnings (loss) per share:					
Basic	4.16	(.55)	5.55	4.02	5.53
Diluted	4.13	(.55)	5.48	4.01	5.52
Cash dividends per share	1.125	1.10	1.075	1.00	1.00
Total assets	4,697	4,542	3,765	3,369	3,056
Long-term debt	1,092	1,137	522	283	117

Earnings per share for 1995-1996 have been restated to reflect the adoption of SFAS No. 128.

In 1999, the Company's results included a charge of $60 million in connection with the dissolution of the Cummins Wartsila joint venture.

In 1998, the Company's results included charges totaling $217 million, comprised of $78 million for revised estimates of additional product coverage liability for both base and extended warranty programs, $114 million of costs associated with the Company's plan to restructure, consolidate and exit certain business activities and $25 million for a civil penalty resulting from an agreement reached with the U.S. Environmental Protection Agency, the Department of Justice and the California Air Resources Board regarding diesel engine emissions.

In 1995, the Company's results included restructuring charges of $118 million ($77 million after taxes) to reduce the worldwide work force and to close or restructure selected operations in Europe, Brazil and North America. Net earnings in 1995 also included release of the tax valuation allowance of $68 million.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

OVERVIEW

Net sales were a record $6.6 billion in 1999, 6 percent higher than in

1998, and 18 percent higher than in 1997. Earnings before interest and taxes of $356 million in 1999, or 5.4 percent of sales, were also a record, excluding a $60 million pretax charge in connection with the dissolution of the Cummins Wartsila joint venture. This compares to $282 million in 1998, excluding charges of $217 million pretax for product coverage costs, restructuring and exit activities and a settlement with the U.S. Environmental Protection Agency. As reported, earnings before interest and taxes were $296 million in 1999, $65 million in 1998 and $312 million in 1997. Net earnings in 1999 were $160 million or $4.13 per share compared to a net loss of $21 million or $(.55) per share in 1998 and net earnings of $212 million or $5.48 per share in 1997.

RESULTS OF OPERATIONS

Net Sales:

In 1999, the Company attained its eighth consecutive year of record sales, totaling $6.6 billion. Revenues from sales of engines were 55 percent of the Company's net sales in 1999, with engine revenues 6 percent higher than in 1998 and 15 percent above 1997. The Company shipped a record 426,100 engines in 1999, compared to 403,300 in 1998 and 369,800 in 1997 as follows:

Unit shipments	1999	1998	1997
Midrange engines	298,400	287,400	264,300
Heavy-duty engines	117,900	106,100	94,900
High-horsepower engines	9,800	9,800	10,600
	426,100	403,300	369,800

Revenues from non-engine products, which were 45 percent of net sales in 1999, were 6 percent higher than in 1998. The major increases within non-engine revenues were achieved in sales of generator sets and PowerCare sales (which include new parts and remanufactured engines and parts). Sales of the remaining non-engine products, in the aggregate, were essentially level with 1998.

The Company's net sales for each of its key segments during the last three years were:

$ Millions	1999	1998	1997
Automotive markets	$3,203	$2,928	$2,622
Industrial markets	1,022	1,054	1,044
Engine Business	4,225	3,982	3,666
Power Generation Business	1,356	1,230	1,205
Filtration Business & Other	1,058	1,054	754
	$6,639	$6,266	$5,625

Cummins' Engine Business, the Company's largest business segment, produces engines and parts for sale to customers in both automotive and industrial markets. Engine Business customers are each serviced through the Company's worldwide distributor network. The engines are used in trucks of all sizes, buses and recreational vehicles, as well as a variety of industrial applications including construction, mining, agriculture, marine, rail and military. Engine Business revenues were $4.2 billion in 1999, a 6 percent increase over 1998 and 15 percent over 1997.

Sales of $3.2 billion in 1999 for automotive markets were 9 percent higher than in 1998 and 22 percent higher than in 1997. In 1999, heavy-duty truck engine revenues were 18 percent higher than in 1998 due to the strong market in North America, partially offset by reduced demand in international heavy-duty truck markets. Within the North

American heavy-duty truck market, unit shipments were up 21 percent over 1998, and Cummins continued to be the market leader. International unit shipments for the heavy-duty market in 1999 were 7 percent lower than in 1998 due primarily to reduced demand in Mexico.

Revenues from the sales of engines for medium-duty trucks in 1999 were 1 percent lower than in 1998 on an 8 percent increase in units. This variance reflected a mix shift towards smaller 4 cylinder engines, which have a lower selling price and margin as well as the impact of the devaluation of the Brazilian real, which reduced revenues in this market.

For the bus and light commercial vehicle market, engine revenues in 1999 were 7 percent higher than in 1998, on a 7 percent increase in unit shipments. Record unit shipments to DaimlerChrysler for the Dodge Ram pickup were 3 percent higher than in 1998 and 30 percent higher than in 1997. The Company also had record shipments to the North American bus and recreational vehicle market, where volumes were 30 percent higher than in 1998 and 39 percent higher than in 1997. Shipments for international bus markets declined 10 percent from 1998, due to lower sales into Mexico.

In 1999, revenues of $1.0 billion from industrial markets were 3 percent lower than in 1998 and 2 percent lower than in 1997, due to decreased volume and a shift in product mix. Engine revenues for this market were down 6 percent on a 6 percent decrease in units. Construction equipment business was 2 percent higher than the year-ago level, while agricultural equipment demand decreased 46 percent from 1998 as a result of very weak markets. Sales to marine markets increased 24 percent from 1998, with strength in both North American and international markets. Mining market sales declined 8 percent as compared to last year.

Revenues of $1.3 billion in 1999 for the Power Generation Business were 10 percent higher than in 1998 and 13 percent higher than in 1997. Approximately $40 million of the sales increase in 1999 related to demand for stand-by power in case of Year 2000 problems; however, the Company expects that nearly half of this increase is sustainable with revenues from new markets, including the rental and home stand-by power businesses. Sales of the Company's generator sets in 1999 increased 21 percent from 1998, continuing to reflect growth in North America, which more than offset declines in demand for generator sets in Asia and Latin America. Engine sales to generator set assemblers were down 8 percent from the prior year, due primarily to lower demand in Asia. Alternator sales decreased 2 percent as compared to 1998. Sales of small generator sets for recreational vehicles and other consumer markets remained strong in North America, increasing 12 percent from 1998.

Sales of $1.1 billion in 1999 for the Filtration Business and Other were essentially flat with 1998 and 40 percent higher than in 1997, with Nelson Industries, acquired in January 1998, accounting for the majority of the increase from 1997. In 1999, new business at small equipment, truck and agricultural equipment manufacturers offset a decrease in sales resulting from the end of a specific catalyst business, which totaled $35 million. International distributor sales included in this segment decreased 1 percent from 1998, while sales of Holset turbochargers increased 13 percent as compared to a year ago.

Net sales by marketing territory for each of the last three years were:

$ Millions	1999	1998	1997
United States	$4,064	$3,595	$3,123
Asia/Australia	818	806	898
Europe/CIS	800	791	796
Canada	473	459	318
Mexico/Latin America	375	468	364
Africa/Middle East	109	147	126
	$6,639	$6,266	$5,625

In total, international markets accounted for 39 percent of the Company's revenues in 1999. Europe and the CIS, representing 12 percent of the Company's sales in 1999, were 1 percent higher than in 1998 and 1997. Sales to Canada, representing 7 percent of sales in 1999, were 3 percent higher than in 1998. Asian and Australian markets, in total, represented 12 percent of the Company's sales in 1999, with increases in sales to Asia more than offsetting a decline in sales to Australia. In Asia, sales to Southeast Asia increased 28 percent, sales to Korea were 25 percent higher and sales to Japan were 9 percent above 1998 levels, while sales to China decreased 6 percent and India was essentially flat compared to 1998. Business in Mexico and Latin America, representing 6 percent of sales in 1999, was 20 percent lower than in 1998. This decrease was due, in part, to the devaluation of the Brazilian real.

Gross Margin:

As disclosed in Note 3 to the Consolidated Financial Statements, the Company recorded special charges of $92 million in 1998 for product coverage costs and inventory write-downs. The product coverage special charges of $78 million include $43 million primarily attributable to base warranty costs and $35 million for extended warranty programs. The special charges recorded in 1998 also included $14 million for inventory write-downs associated with the Company's restructuring and exit activities. These write-downs reflected amounts of inventory rendered excess or unusable due to the closing or consolidation of facilities.

The Company's gross margin percentage was 21.4 percent in 1999 and 21.4 percent in 1998, excluding the special charges recorded for product coverage and inventory write-downs, and 22.8 percent in 1997. Gross margin percentage in 1998 including the special charges was 19.9 percent. Gross margins in 1999 benefited from higher volumes and product cost improvements, offset by higher product coverage costs. Product coverage costs were 3.7 percent of net sales in 1999, compared to 3.3 percent in 1998, excluding the special charges, and 2.6 percent in 1997.

Operating Expenses:

Selling and administrative expenses were 11.8 percent of net sales in 1999, compared to 12.5 percent in 1998 and 13.2 percent in 1997. On the 6-percent sales increase in 1999, these expenses, which include volume-variable components, decreased 1 percent in absolute dollars. This improvement reflects benefits of the Company's cost reduction programs and restructuring actions.

Research and engineering expenses were 3.7 percent of net sales in 1999, compared to 4.1 percent in 1998 and 4.6 percent in 1997. This decrease is primarily due to new products moving into production and the Company's cost reduction and productivity initiatives.

The Company's losses from joint ventures and alliances were $28 million in 1999, compared to losses of $30 million in 1998 and income of $10 million in 1997. In 1999, higher losses at the Company's joint venture with Wartsila were more than offset by improved performance at the Company's other joint ventures. The difference from 1997 was due primarily to the consolidation of Cummins India Limited in the fourth quarter of 1997 and increased losses at the Company's joint venture with Wartsila.

In December 1999, the Company recorded a charge of $60 million in connection with the dissolution of the Cummins Wartsila joint venture. The charge included $17 million to write off the Company's remaining investment in the joint venture, $29 million for impairment of assets transferred from the joint venture and $14 million for additional warranty and other liabilities assumed by the Company. The joint venture termination was effective December 31, 1999, with the Company taking over the operations and assets of the product line manufactured in Daventry, England. The asset impairment loss was calculated according to the provisions of SFAS No. 121, using expected discounted cash flows as the estimate of fair value. The majority of the impaired assets are to be held and used in the Company's Power Generation Business, with depreciation continuing on such assets.

As disclosed in Note 4 to the Consolidated Financial Statements, the Company recorded charges in 1998 totaling $125 million, comprised of $100 million of costs associated with the Company's plan to restructure, consolidate and exit certain business activities and $25 million for a civil penalty resulting from an agreement reached with the U.S. Environmental Protection Agency and the Department of Justice regarding diesel engine emissions.

The Company is continuing the restructuring plan implemented in the third quarter of 1998. As of December 31, 1999, approximately $81 million has been charged against the liabilities associated with these actions. The Company funded the restructuring actions using cash generated from operations. Of the planned workforce reduction of 1,100 employees, approximately 900 people left the Company prior to December 31, 1999. The remaining actions to be completed consist primarily of the outsourcing of certain manufacturing operations and payment of severance commitments to terminated employees. The program is expected to be essentially complete in early 2000 and yield approximately $50 million in annual savings at completion. The Company does not currently anticipate any material changes in the original charges recorded for these actions.

Other:

Interest expense of $75 million was $4 million higher than in 1998 and $49 million higher than in 1997. Lower capitalization of interest in 1999 accounted for the increase as compared to 1998. The increase from 1997 was due to the increased level of borrowings to support working capital on the higher sales level and to complete the acquisition of Nelson. Other expense went from $13 million of income in 1998 to $8 million of expense in 1999, primarily due to increased non-operating partnership costs and lower interest income in 1999, and certain tax refunds and other non-recurring transactions recorded in 1998.

Provision for Income Taxes:

The Company's income tax provision in 1999 was $55 million, an effective tax rate of 25 percent, reflecting reduced taxes on export sales and research tax credits. In 1998, the Company's tax provision was $4 million, with the tax benefits from export sales and the research credit more than offset by the unfavorable tax effects of nondeductible losses in foreign joint ventures and nondeductible EPA penalty and goodwill amortization. The Company's effective tax rate in 1997 was 26 percent.

Minority Interest:

Minority interest in net earnings of consolidated entities was $6 million in 1999, a decrease of $5 million from 1998 and an increase of $6 million from 1997. The decrease from 1998 was primarily due to lower net earnings of Cummins India Limited in 1999 and the partner's share of losses from the joint venture with Scania. The change in minority interest from 1997 was due to the consolidation of Cummins India Limited beginning in the fourth quarter of 1997, when the Company increased its ownership interest to 51 percent.

Year 2000:

The Company experienced no negative effects on customers, employees or suppliers from the Year 2000 date change. No problems with the Company's products were reported. The Company monitored the status of its worldwide sites during the "millennium rollover" through the operation of three communication centers located in Australia, England and Columbus, Indiana. Teams of experts were on-hand and additional resources were available on a stand-by basis to assist sites, if needed. Service and engineering groups were available on-call in case customer requests arose. The Company's sites, including its manufacturing facilities and distribution channels, are working without any disruptive impact from the Year 2000 date change.

The Company also participated in an information gathering process designed by the Automotive Industry Action Group (AIAG) and reported a "green" status throughout the requested Year 2000 AIAG reporting phase in early January.

While Year 2000 results to-date are positive, there are key dates yet to monitor. The communication centers will watch Leap Year Day, February 29, and financial closes during the first quarter. The Company continues its preventive approach to Year 2000 issues. Sites continue to conduct process verifications that critical systems are operating properly.

Costs and Risks of Company's Year 2000 Issues:
The Company will incur total expenditures of approximately $45 million in connection with its Year 2000 program and remediation efforts. The Company is funding its Year 2000 costs with its normal operating cashflow.

There can be no assurances that the systems or products of third parties relied upon by the Company, such as suppliers, vendors or significant customers, were timely converted or that a failure by such third parties, or a conversion that is incompatible with the Company's systems, would not have a material adverse effect on the Company. Other undiscovered factors related to the Year 2000 issue may also have potential for an adverse effect on the Company. Such adverse effects may include an adverse effect on the Company's revenues. The time of completion and success of the Company's Year 2000 program and compliance efforts, and the related expenses, are based upon management's best estimates, which in turn are based on assumptions about future events, including the availability of certain resources, third party modification plans and other factors. There can be no assurances that these results and estimates will be achieved, and the actual results could materially differ from those anticipated. Specific factors that might cause such material differences include, but are not limited to, the availability of trained personnel, the ability to locate and correct all relevant computer code, and the failure by third parties to address their Year 2000 problems.

CASH FLOW AND FINANCIAL CONDITION

Key elements of cash flows were:

$ Millions	1999	1998	1997
Net cash provided by operating activities	$ 307	$ 271	$ 200
Net cash used in investing activities	(166)	(752)	(354)
Net cash (used in) provided by financing			

activities	(105)	471	96
Effect of exchange rate changes on cash	-	(1)	(1)
Net change in cash	$ 36	$ (11)	$ (59)

During 1999, net cash provided from operating activities was $307 million, reflecting the Company's strong net earnings and the non-cash effect of depreciation and amortization, reduced by increases in working capital. Net working capital as a percent of sales was 13.0 percent in 1999, compared to 12.8 percent in 1998 and 11.6 percent in 1997. Net cash used in investing activities in 1999 of $166 million included planned capital expenditures of $215 million, partially offset by $54 million of proceeds from the sale of the Company's Atlas Crankshaft business. Capital expenditures were $271 million in 1998 and $405 million in 1997, during the Company's peak product development period. The higher level of net cash requirements in 1998 was due primarily to the acquisition of Nelson. Investments in joint ventures and alliances in 1999 of $36 million reflected the net effect of capital contributions and cash generated by certain joint ventures.

Net cash used in financing activities was $105 million in 1999. This cash was used for dividend payments, repurchases of the Company's stock and payments on borrowings. As disclosed in Note 7 to the Consolidated Financial Statements, the Company issued $765 million face amount of notes and debentures in 1998 under a $1 billion registration statement filed with the Securities and Exchange Commission in December 1997. Net proceeds were used to finance the acquisition of Nelson and to pay down other indebtedness outstanding at December 31, 1997. Based on the Company's projected cash flow from operations and existing credit facilities, management believes that sufficient liquidity is available to meet anticipated capital and dividend requirements in the foreseeable future.

Legal/Environmental Matters:

The Company and its subsidiaries are defendants in a number of pending legal actions that arise in the normal course of business, including environmental claims and actions related to use and performance of the Company's products. Such matters are more fully described in Note 17 to the Consolidated Financial Statements. In the event the Company is determined to be liable for damages in connection with such actions or proceedings, the unreserved portion of such liability is not expected to have a material adverse effect on the Company's results of operations, cash flows or financial condition.

Market Risk:

The Company is exposed to financial risk resulting from volatility in foreign exchange rates, interest rates and commodity prices. This risk is closely monitored and managed through the use of derivative contracts. As clearly stated in the Company's policies and procedures, financial derivatives are used expressly for hedging purposes, and under no circumstances are they used for speculating or for trading. Transactions are entered into only with banking institutions with strong credit ratings, and thus the credit risk associated with these contracts is considered immaterial. Hedging program results and status are reported to senior management on a monthly and quarterly basis.

The following section describes the Company's risk exposures and provides results of sensitivity analyses performed on December 31, 1999. The sensitivity tests assumed instantaneous, parallel shifts in foreign currency exchange rates, commodity prices and interest rate yield curves.

A. Foreign Exchange Rates

Due to its international business presence, the Company transacts extensively in foreign currencies. As a result, corporate earnings experience some volatility related to movements in exchange rates. In order to exploit the benefits of global diversification and naturally offsetting currency positions, foreign exchange balance sheet exposures are aggregated and hedged at the corporate level through the use of foreign exchange forward contracts. The objective of the foreign exchange hedging program is to reduce earnings volatility resulting from the translation of net foreign exchange balance sheet positions. A hypothetical, instantaneous, 10 percent adverse movement in the foreign currency exchange rates would decrease earnings by approximately $4 million in the current reporting period. The sensitivity analysis ignores the impact of foreign exchange movements on Cummins' competitive position as well as the remoteness of the likelihood that all foreign currencies will move in tandem against the U.S. dollar. The analysis also ignores the offsetting impact on income of the revaluation of the underlying balance sheet exposures.

B. Interest Rates

The Company currently has in place three interest rate swaps that effectively convert fixed-rate debt into floating-rate debt. The objective of the swaps is to more efficiently balance borrowing costs and interest rate risk. A sensitivity analysis assumed a hypothetical, instantaneous, 100 basis-point parallel increase in the floating interest rate yield curve, after which rates remained fixed at the new, higher level for a one-year period. This change in yield curve would correspond to a $4 million increase in interest expense for the one-year period. This sensitivity analysis does not account for the change in the Company's competitive environment indirectly related to changes in interest rates and the potential managerial action taken in response to these changes.

C. Commodity Prices

The Company is exposed to fluctuation in commodity prices through the purchase of raw materials as well as contractual agreements with component suppliers. Given the historically volatile nature of commodity prices, this exposure can significantly impact product costs. The Company uses commodity swap agreements to partially hedge exposures to changes in copper and aluminum prices. Given a hypothetical, instantaneous 10 percent depreciation of the underlying commodity price, with prices then remaining fixed for a 12-month period, the Company would experience a loss of approximately $3 million for the annual reporting period. This amount excludes the offsetting impact of decreases in commodity costs.

Forward-looking Statements

This Management's Discussion and Analysis of Results of Operations and Financial Condition, other sections of this Annual Report and the Company's press releases, teleconferences and other external communications contain forward-looking statements that are based on current expectations, estimates and projections about the industries in which Cummins operates and management's beliefs and assumptions. Words, such as "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates," variations of such words and similar expressions are intended to identify such forward-looking statements. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions ("Future Factors") which are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed or forecasted in such forward-looking statements. Cummins undertakes no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

Future Factors include increasing price and product competition by foreign and domestic competitors, including new entrants; rapid technological developments and changes; the ability to continue to introduce competitive new products on a timely, cost-effective basis; the mix of products; the achievement of lower costs and expenses; domestic and foreign governmental and public policy changes, including environmental regulations; protection and validity of patent and other intellectual property rights; reliance on large customers; technological, implementation and cost/financial risks in increasing use of large, multi-year contracts; the cyclical nature of Cummins' business; the outcome of pending and future litigation and governmental proceedings; and continued availability of financing, financial instruments and financial resources in the amounts, at the times and on the terms required to support Cummins' future business.

These are representative of the Future Factors that could affect the outcome of the forward-looking statements. In addition, such statements could be affected by general industry and market conditions and growth rates, general domestic and international economic conditions, including interest rate and currency exchange rate fluctuations, and other Future Factors.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTAL DATA

See Index to Financial Statements on page 24.

ITEM 9. DISAGREEMENTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information appearing under the caption "Election of Directors" of the Company's definitive Proxy Statement for the Annual Meeting of the Shareholders to be held on April 4, 2000 ("the Proxy Statement") is incorporated by reference in partial answer to this item. Except as otherwise specifically incorporated by reference, the Proxy Statement is not to be deemed filed as part of this report.

The executive officers of the Company at December 31, 1999 are set forth below. The Chairman of the Board and President are elected annually by the Board of Directors at the Board's first meeting following the Annual Meeting of the Shareholders. Other officers are appointed by the Chairman and ratified by the Board of Directors and hold office for such period as the Board of Directors or Chairman of the Board may prescribe.

Name	Age	Present Position and Business Experience During Last 5 Years
Jean S. Blackwell	45	Vice President - Human Resources (1997 to present), Vice President - General Counsel (1997)
Pamela F. Carter	50	Vice President - General Counsel and Corporate Secretary (1997 to present)
John K. Edwards	55	Executive Vice President, Group President - Power Generation and International (1996 to present), Vice President - International (1989 to 1996)
Mark R. Gerstle	44	Vice President - Cummins Business Services (1998 to present), Vice President and Chief Administrative Officer and Secretary (1997 to 1998), Vice President - Law and Corporate Affairs and Secretary (1997), Vice President - General Counsel and Secretary (1995 to 1997), Assistant General Counsel (1991 to 1995)
James A. Henderson	65	Chairman and Chief Executive Officer (1995 to Present), President and Chief Executive Officer (1994 to 1995)
M. David Jones	52	Vice President - Filtration Group and President, Fleetguard, Inc. (1996 to present), Vice President - Aftermarket Group (1989 to 1996)
F. Joseph Loughrey	50	Executive Vice President and Group President - Engine Business (1999 to present), Executive Vice President and Group President - Industrial and Chief Technical Officer (1996 to 1999), Group Vice President - Worldwide Operations and Technology (1995 to 1996), Group Vice President - Worldwide Operations (1990 to 1995)
Frank J. McDonald	53	Vice President - Quality (1999 to present), Vice President - Worldwide Midrange Operations (1996 to 1999), Vice President - Midrange Manufacturing (1992-1996)
Rick J. Mills	52	Vice President - Corporate Controller (1996 to present), Vice President Pacific Rim and Latin America - Fleetguard, Inc. (1993 to 1996)

Name	Age	Present Position and Business Experience During Last 5 Years
Kiran M. Patel	51	Executive Vice President and Chief Financial Officer (1999 to present), Vice President and Chief Financial Officer (1996 to 1999), President - Fleetguard, Inc. (1993 to 1996)
Theodore M. Solso	52	President and Chief Operating Officer (1995 to present), Executive Vice President and Chief Operating Officer (1994 to 1995)
Christine M. Vujovich	48	Vice President - Environmental Policy and Product Strategy (1999 to present), Vice President - Worldwide Marketing for Bus and Light Commercial Automotive and Environmental Management (1996 to 1999), Vice President - Product Planning and Environmental Management (1989 to 1996)

ITEM 11. EXECUTIVE COMPENSATION

The information appearing under the following captions in the Company's Proxy Statement is hereby incorporated by reference: "The Board of Directors and Its Committees," "Executive Compensation -- Compensation Tables and Other Information," "Executive Compensation -- Change of Control Arrangements" and "Executive Compensation -- Compensation Committee Interlocks and Insider Participation."

The Company has adopted various benefit and compensation plans covering officers and other key employees under which certain benefits become payable upon a change of control of the Company. Cummins also has adopted an employee retention program covering approximately 700 employees of the Company and its subsidiaries, which provides for the payment of severance benefits in the event of termination of employment following a change of control of Cummins. The Company and its subsidiaries also have severance programs for other exempt employees of the Company whose employment is terminated following a change of control of the Company. Certain of the pension plans covering employees of the Company provide, upon a change of control of Cummins, that excess plan assets become dedicated solely to fund benefits for plan participants.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

A discussion of the security ownership of certain beneficial owners and management appearing under the captions "Principal Security Ownership," "Election of Directors" and "Executive Compensation -- Security Ownership of Management" in the Proxy Statement is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information appearing under the captions "The Board of Directors and Its Committees," "Executive Compensation - Compensation Committee Interlocks and Insider Participation" and "Other Transactions and Agreements with Directors, Officers and Certain Shareholders" in the Proxy Statement is incorporated herein by reference.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

Documents filed as a part of this report:

1. See Index to Financial Statements on page 24 for a list of the financial statements filed as a part of this report.

2. See Exhibit Index on page 65 for a list of the exhibits filed or incorporated herein as a part of this report.

No reports on Form 8-K were filed during the fourth quarter of 1999.

INDEX TO FINANCIAL STATEMENTS

	Page
Responsibility for Financial Statements	25
Report of Independent Public Accountants	25
Consolidated Statement of Earnings	26
Consolidated Statement of Financial Position	27
Consolidated Statement of Cash Flows	28
Consolidated Statement of Shareholders' Investment	29
Notes to Consolidated Financial Statements	30
Quarterly Financial Data	42
Cummins Wartsila SAS Financial Statements	43

RESPONSIBILITY FOR FINANCIAL STATEMENTS

Management is responsible for the preparation of the Company's consolidated financial statements and all related information appearing in this Report. The statements and notes have been prepared in conformity with generally accepted accounting principles and include some amounts which are estimates based upon currently available information and management's judgment of current conditions and circumstances. The Company engaged Arthur Andersen LLP, independent public accountants, to examine the consolidated financial statements. Their report appears on this page.

To provide reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition and that accounting records are reliable for preparing financial statements, management maintains a system of accounting and controls, including an internal audit program. The system of accounting and controls is improved and modified in response to changes in business conditions and operations and recommendations made by the independent public accountants and the internal auditors.

The Board of Directors has an Audit Committee whose members are not employees of the Company. The committee meets periodically with management, internal auditors and representatives of the Company's independent public accountants to review the Company's program of internal controls, audit plans and results, and the recommendations of the internal and external auditors and management's responses to those recommendations.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Shareholders and Board of Directors of Cummins Engine Company, Inc.:

We have audited the accompanying consolidated statement of financial position of Cummins Engine Company, Inc., (an Indiana corporation) and subsidiaries as of December 31, 1999 and 1998, and the related consolidated statements of earnings, cash flows and shareholders' investment for each of the three years in the period ended December 31, 1999. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements 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 financial position of Cummins Engine Company, Inc., and subsidiaries as of December 31, 1999 and 1998, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1999, in conformity with generally accepted accounting principles.

Arthur Andersen LLP

Chicago, Illinois
January 26, 2000

CUMMINS ENGINE COMPANY, INC.
CONSOLIDATED STATEMENT OF EARNINGS

Millions, except per share amounts	1999	1998	1997
Net sales	$6,639	$6,266	$5,625
Cost of goods sold	5,221	4,925	4,345
Special charges	-	92	-
Gross profit	1,418	1,249	1,280
Selling & administrative expenses	781	787	744
Research & engineering expenses	245	255	260
Net expense (income) from joint ventures and alliances	28	30	(10)
Interest expense	75	71	26
Other expense (income), net	8	(13)	(26)
Restructuring and other non-recurring charges	60	125	-
Earnings (loss) before income taxes	221	(6)	286
Provision for income taxes	55	4	74
Minority interest	6	11	-
Net earnings (loss)	$ 160	$ (21)	$ 212

Basic earnings (loss) per share	$ 4.16	$(.55)	$5.55
Diluted earnings (loss) per share	4.13	(.55)	5.48

The accompanying notes are an integral part of this statement.

CUMMINS ENGINE COMPANY, INC.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Millions, except per share amounts	December 31, 1999	1998
Assets		
Current assets:		
Cash and cash equivalents	$ 74	$ 38
Receivables, net of allowance of $9 and $13	1,026	833
Inventories	787	731
Other current assets	293	274
	2,180	1,876
Investments and other assets:		
Investments in joint ventures and alliances	131	136
Other assets	143	144
	274	280
Property, plant and equipment:		
Land and buildings	577	590
Machinery, equipment and fixtures	2,375	2,320
Construction in process	168	185
	3,120	3,095
Less accumulated depreciation	1,490	1,424
	1,630	1,671
Goodwill, net of amortization of $28 and $17	364	384
Other intangibles, deferred taxes and deferred charges	249	331
Total assets	$4,697	$4,542
Liabilities and shareholders' investment		
Current liabilities:		
Loans payable	$ 113	$ 64
Current maturities of long-term debt	10	26
Accounts payable	411	340
Accrued salaries and wages	88	99
Accrued product coverage & marketing expenses	246	209
Income taxes payable	40	13
Other accrued expenses	406	320
	1,314	1,071
Long-term debt	1,092	1,137
Other liabilities	788	1,000
Minority interest	74	62
Shareholders' investment:		
Common stock, $2.50 par value, 48.3 and 48.1 shares issued	121	120
Additional contributed capital	1,129	1,121
Retained earnings	760	648
Accumulated other comprehensive income	(109)	(167)
Common stock in treasury,at cost,6.8 & 6.1 shares	(274)	(240)
Common stock held in trust for employee benefit plans, 3.4 and 3.6 shares	(163)	(172)
Unearned compensation	(35)	(38)
	1,429	1,272
Total liabilities & shareholders' investment	$4,697	$4,542

The accompanying notes are an integral part of this statement.

CUMMINS ENGINE COMPANY, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS

Millions	1999	1998	1997
Cash flows from operating activities:			
Net earnings (loss)	$ 160	$ (21)	$ 212
Adjustments to reconcile net earnings (loss) to net cash from operating activities:			
Depreciation and amortization	233	199	158
Restructuring & other non-recurring actions	38	110	(24)
Equity in (earnings) losses of joint ventures and alliances	35	38	(1)
Receivables	(200)	(10)	(80)
Inventories	(60)	(26)	(65)
Accounts payable and accrued expenses	162	56	(18)
Deferred income taxes	(31)	(65)	22
Other	(30)	(10)	(4)
Total adjustments	147	292	(12)
	307	271	200
Cash flows from investing activities:			
Property, plant and equipment:			
Additions	(215)	(271)	(405)
Disposals	22	7	21
Investments in joint ventures and alliances	(36)	(22)	(47)
Acquisitions and dispositions of business activities	57	(468)	76
Other	6	2	1
	(166)	(752)	(354)
Net cash provided by (used in) operating and investing activities	141	(481)	(154)
Cash flows from financing activities:			
Proceeds from borrowings	28	711	281
Payments on borrowings	(90)	(161)	(50)
Net borrowings (payments) under short-term credit agreements	49	(30)	(12)
Repurchases of common stock	(34)	(14)	(75)
Dividend payments	(47)	(46)	(45)
Other	(11)	11	(3)
	(105)	471	96
Effect of exchange rate changes on cash	-	(1)	(1)
Net change in cash and cash equivalents	36	(11)	(59)
Cash & cash equivalents at beginning of year	38	49	108
Cash & cash equivalents at end of year	$ 74	$ 38	$ 49
Cash payments during the year for:			
Interest	$ 82	$ 56	$ 21
Income taxes	56	73	42

The accompanying notes are an integral part of this statement.

CUMMINS ENGINE COMPANY, INC.
CONSOLIDATED STATEMENT OF SHAREHOLDERS' INVESTMENT

Millions, except per share amounts	1999	1998	1997

Common stock:						
Balance at beginning of year	$ 120		$ 120		$ 110	
Issued to trust for employee benefit plans	-		-		9	
Other	1		-		1	
Balance at end of year	121		120		120	
Additional contributed capital:						
Balance at beginning of year	1,121		1,119		929	
Issued to trust for employee benefit plans	-		-		171	
Other	8		2		19	
Balance at end of year	1,129		1,121		1,119	
Retained earnings:						
Balance at beginning of year	648		715		548	
Net earnings (loss)	160	$160	(21)	$(21)	212	$212
Cash dividends	(47)		(46)		(45)	
Other	(1)		-		-	
Balance at end of year	760		648		715	
Accumulated other comprehensive income:						
Balance at beginning of year	(167)		(70)		(60)	
Foreign currency translation adjustments		4		(43)		(21)
Minimum pension liability adjustments		55		(54)		12
Unrealized losses on securities		(1)		-		(1)
Other comprehensive income	58	58	(97)	(97)	(10)	(10)
Comprehensive income		$218		$(118)		$202
Balance at end of year	(109)		(167)		(70)	
Common stock in treasury:						
Balance at beginning of year	(240)		(245)		(169)	
Repurchased	(34)		(14)		(76)	
Issued	-		19		-	
Balance at end of year	(274)		(240)		(245)	
Common stock held in trust for employee benefit plans:						
Balance at beginning of year	(172)		(175)		-	
Issued	-		-		(180)	
Shares allocated to benefit plans	9		3		5	
Balance at end of year	(163)		(172)		(175)	
Unearned compensation:						
Balance at beginning of year	(38)		(42)		(46)	
Shares allocated to participants	3		4		4	
Balance at end of year	(35)		(38)		(42)	
Shareholders' investment	$1,429		$1,272		$1,422	
Shares of stock						
Common stock, $2.50 par value, 150.0 shares authorized						
Balance at beginning of year	48.1		48.1		43.9	
Shares issued	.2		-		4.2	
Balance at end of year	48.3		48.1		48.1	
Common stock in treasury						
Balance at beginning of year	6.1		6.0		4.5	
Shares repurchased	.7		.4		1.5	
Shares issued	-		(.3)		-	

Balance at end of year	6.8	6.1	6.0
Common stock held in trust for employee benefit plans			
Balance at beginning of year	3.6	3.7	-
Shares issued	-	-	3.8
Shares allocated to benefit plans	(.2)	(.1)	(.1)
Balance at end of year	3.4	3.6	3.7

The accompanying notes are an integral part of this statement.

CUMMINS ENGINE COMPANY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. ACCOUNTING POLICIES:

Principles of Consolidation: The consolidated financial statements include all significant majority-owned subsidiaries. Affiliated companies in which Cummins does not have a controlling interest, or for which control is expected to be temporary, are accounted for using the equity method. Use of estimates and assumptions as determined by management is required in the preparation of consolidated financial statements in conformity with generally accepted accounting principles. Actual results could differ from these estimates and assumptions.

Revenue Recognition: The Company recognizes revenues on the sale of its products, net of estimated costs of returns, allowances and sales incentives, when the products are shipped to customers. The Company generally sells its products on open account under credit terms customary to the region of distribution. The Company performs ongoing credit evaluations of its customers and generally does not require collateral to secure its customers' receivables.

Foreign Currency: Assets and liabilities of foreign entities, where the local currency is the functional currency, have been translated at year-end exchange rates, and income and expenses have been translated to US dollars at average-period rates. Adjustments resulting from translation have been recorded in shareholders' investment and are included in net earnings only upon sale or liquidation of the underlying foreign investment.

For foreign entities where the US dollar is the functional currency, including those operating in highly inflationary economies, inventory, property, plant and equipment balances and related income statement accounts have been translated using historical exchange rates. The resulting gains and losses have been credited or charged to net earnings and were net losses of $2 million in 1999, $5 million in 1998 and $1 million in 1997.

Derivative Instruments: The Company makes use of derivative instruments in its foreign exchange, commodity price and interest rate hedging programs. Derivatives currently in use are commodity and interest rate swaps, as well as foreign currency forward contracts. These contracts are used strictly for hedging and not for speculative purposes. Refer to Note 10 for more information on derivative financial instruments.

The Company enters into commodity swaps to offset the Company's exposure to price volatility for certain raw materials used in the manufacturing process. As the Company has the discretion to settle these transactions either in cash or by taking physical delivery, these contracts are not considered financial instruments for accounting purposes. These commodity swaps are accounted for as hedges.

In June 1998, the Financial Accounting Standards Board issued SFAS No. 133 on accounting for derivative instruments and hedging activities. The statement is effective for fiscal years beginning after June 15, 2000. The Company plans to adopt this statement at the beginning of fiscal 2001 and is currently evaluating its hedging strategy as it applies to the new statement. The statement is not expected to have a material effect on the Company's results of operations.

Other Costs: Estimated costs of commitments for product coverage programs are charged to earnings at the time the Company sells its products.

Research & development expenditures, net of contract reimbursements, are expensed when incurred and were $218 million in 1999, $228 million in 1998 and $250 million in 1997.

Maintenance and repair costs are charged to earnings as incurred.

Cash Equivalents: Cash equivalents include all highly liquid investments with an original maturity of three months or less at the time of purchase.

Inventories: Inventories are stated at the lower of cost or net realizable value. Approximately 23 percent of domestic inventories (primarily heavy-duty and high-horsepower engines and engine parts) are valued using the last-in, first-out (LIFO) cost method. All other inventories are valued using the first-in, first-out (FIFO) method. Inventories at December 31 were as follows:

$ Millions	1999	1998
Finished products	$402	$400
Work-in-process and raw materials	440	387
Inventories at FIFO cost	842	787
Excess of FIFO over LIFO	(55)	(56)
	$787	$731

Property, Plant and Equipment: Property, plant and equipment are stated at cost. A modified units-of-production method, which is based upon units produced subject to a minimum level, is used to depreciate substantially all engine production equipment. The straight-line depreciation method is used for all other equipment. The estimated depreciable lives range from 20 to 40 years for buildings and 3 to 20 years for machinery, equipment and fixtures.

Long-Lived Assets: The Company evaluates the carrying value of its long-lived assets for impairment whenever adverse events or changes in circumstances indicate that the carrying value of an asset may be impaired. In accordance with SFAS No.121, if the quoted market price, or if not available the undiscounted cash flows, are not sufficient to support the recorded asset value, an impairment loss is recorded to reduce the carrying value of the asset to the amount of expected discounted cash flows. This same policy is followed for goodwill.

Software: Internal and external software costs (excluding research, reengineering and training) are capitalized and amortized generally over 5 years. Capitalized software, net of amortization, was $110 million at December 31, 1999, and $75 million at December 31, 1998.

Earnings Per Share: Basic earnings per share of common stock are computed by dividing net earnings by the weighted-average number of shares outstanding for the period. Diluted earnings per share are computed by dividing net earnings by the weighted-average number of shares, assuming the exercise of stock options when the effect of their exercise is dilutive. Shares of stock held by the employee benefits trust are not included in outstanding shares for EPS until distributed from the trust.

Millions, except per share amounts	Net Earnings (Loss)	Weighted Average Shares	Per share
1999			
Basic	$160	38.3	$4.16
Options	-	.3	
Diluted	$160	38.6	$4.13
1998			
Basic	$(21)	38.5	$(.55)
Options	-	-	
Diluted	$(21)	38.5	$(.55)
1997			
Basic	$212	38.2	$5.55
Options	-	.5	
Diluted	$212	38.7	$5.48

NOTE 2. ACQUISITION: In January 1998, the Company completed the acquisition of the stock of Nelson Industries, Inc., for $453 million. Nelson, a filtration and exhaust systems manufacturer, was consolidated from the date of its acquisition. On a pro forma basis, if the Company had acquired Nelson on January 1, 1997, consolidated net sales for 1997 would have been $5.9 billion and consolidated earnings would not have been materially different. In accordance with APB Opinion No. 16, Nelson's net assets were recorded at fair value at the date of acquisition. The purchase price in excess of net assets will be amortized over 40 years.

NOTE 3. SPECIAL CHARGES: In 1998, the Company recorded special charges of $92 million for product coverage costs and inventory write-downs. The product coverage special charges of $78 million included $43 million primarily attributable to the recent experience of higher-than-anticipated base warranty costs to repair certain automotive engines manufactured in previous years, and $35 million related to a revised estimate of product coverage cost liability primarily for extended warranty programs. The special charges also included $14 million for inventory write-downs associated with the Company's restructuring and exit activities. These write-downs related to amounts of inventory rendered excess or unusable due to the closing or consolidation of facilities.

NOTE 4. RESTRUCTURING AND OTHER NON-RECURRING CHARGES: In December 1999, the Company recorded a charge of $60 million in connection with the dissolution of the Cummins Wartsila joint venture. The charge included $17 million to write off the Company's remaining investment in the joint venture, $29 million for impairment of assets transferred from the joint venture and $14 million for additional warranty and other liabilities assumed by the Company. The joint venture termination was effective December 31, 1999, with the Company taking over the operations and assets of the product line manufactured in Daventry, England.

The asset impairment loss was calculated according to the provisions of SFAS No. 121, using expected discounted cash flows as the estimate of fair value. The majority of the impaired assets are to be held and used in the Company's Power Generation Business, with depreciation continuing on such assets.

In the third quarter of 1998, the Company recorded charges of $125 million, comprised of $100 million for costs to reduce the worldwide workforce by approximately 1,100 people, as well as costs associated with streamlining certain majority-owned and international joint venture operations and $25 million for a civil penalty to be paid by the Company as a result of an agreement reached with the U.S. Environmental Protection Agency (EPA) regarding diesel engine emissions. In addition, the Company recorded special charges of $14 million for inventory write-downs associated with restructuring actions.

The Company is continuing the restructuring plan implemented in the third quarter of 1998. As of December 31, 1999, approximately $81 million has been charged against the liabilities associated with these actions. The Company has funded the restructuring actions using cash generated from operations. Of the planned workforce reduction of 1,100 employees, approximately 900 people left the Company prior to December 31, 1999. The remaining actions to be completed consist primarily of the outsourcing of certain manufacturing operations and payment of severance commitments to terminated employees. The program is expected to be essentially complete in early 2000 and yield approximately $50 million in annual savings at completion. The Company does not currently anticipate any material changes in the original charges recorded for these actions. Activity in the major components of these charges is as follows:

$ Millions	Original Provision	Charges 1998	Charges 1999	12/31/99
Restructuring of majority-owned operations:				
Workforce reductions	$ 38	$(12)	$(14)	$ 12
Asset impairment loss	22	-	(7)	15
Facility consolidations and other	17	(8)	(4)	5
	77	(20)	(25)	32
Restructuring of joint venture operations:				
Workforce reductions	11	-	(10)	1
Tax asset impairment loss	7	-	(7)	-
Facility & equipment-related costs	5	-	(5)	-

	23	-	(22)	1
Inventory write-downs associated with restructuring actions	14	(5)	(9)	-
Total restructuring charges	114	(25)	(56)	33
EPA penalty	25	-	(8)	17
Total	$139	$(25)	$(64)	$ 50

NOTE 5. OTHER EXPENSE (INCOME): The major components of other expense (income) included the following:

$ Millions	1999	1998	1997
Amortization of intangibles	$15	$ 14	$ 2
Interest income	(7)	(9)	(5)
Loss (gain) on sale of businesses	1	(7)	(13)
Rental income	(5)	(6)	(3)
Royalty income	(4)	(5)	(12)
Foreign currency losses	2	5	1
Non-operating partnership costs	6	3	-
Social tax refunds	-	(3)	-
Other	-	(5)	4
Total	$ 8	$(13)	$(26)

NOTE 6. INVESTMENTS IN JOINT VENTURES AND ALLIANCES: Investments in joint ventures and alliances at December 31 were as follows:

$ Millions	1999	1998
Tata Cummins	$ 22	$ 22
Komatsu alliances	18	17
Chongqing Cummins	16	15
Behr America	15	14
European Engine Alliance	14	5
Consolidated Diesel	11	39
Dong Feng	10	8
Cummins Wartsila	-	(6)
Other	25	22
	$131	$136

Summary financial information for the joint ventures and alliances was as follows:

	December 31,		
$ Millions	1999	1998	1997
Net sales	$1,334	$1,245	$1,307
Gross profit	101	25	111
Net earnings (loss)	(64)	(105)	5
Cummins' share	(32)	(52)	2
Current assets	$ 302	$ 527	
Noncurrent assets	485	613	
Current liabilities	(223)	(406)	
Noncurrent liabilities	(284)	(455)	
Net assets	$280	$279	
Cummins' share	$131	$136	

The Company has guaranteed $52 million in outstanding debt of the Cummins Wartsila joint venture as of December 31, 1999. As disclosed in Note 4, the Cummins Wartsila joint venture was terminated effective December 31, 1999.

In connection with various joint venture agreements, Cummins is required to purchase products from the joint ventures in amounts to provide for the recovery of specified costs of the ventures. Under the agreement with Consolidated Diesel, Cummins' purchases were $513 million in 1999 and $535 million in 1998.

NOTE 7. BORROWINGS: Long-term debt at December 31 was:

$ Millions	1999	1998
7.125% debentures due 2028	$249	$249
6.45% notes due 2005	224	224
Commercial paper	168	142
5.65% debentures due 2098, net of unamortized discount of $40 (effective interest rate 7.48%)	125	125
6.25% notes due 2003	125	125
6.75% debentures due 2027	120	120
Guaranteed notes of ESOP Trust due 2010	61	63
8.2% notes through 2003	-	79
Other	30	36
Total	1,102	1,163
Current maturities	(10)	(26)
Long-term debt	$1,092	$1,137

Maturities of long-term debt for the five years subsequent to December 31, 1999 are $10 million, $8 million, $9 million, $131 million and $7 million. At December 31, 1999 and 1998, the weighted-average interest rate on loans payable and current maturities of long-term debt approximated 6 percent and 7 percent, respectively.

The Company maintains a $500 million revolving credit agreement, maturing in 2003, under which there were no outstanding borrowings at December 31, 1999 or 1998. The revolving credit agreement supports the Company's commercial paper borrowings. In February 1998, the Company issued $765 million face amount of notes and debentures under a $1 billion Registration Statement filed with the Securities and Exchange Commission in 1997. Net proceeds were used to finance the acquisition of Nelson and to pay down other indebtedness outstanding at December 31, 1997. The Company also has other domestic and

international credit lines with approximately $116 million available at December 31, 1999.

The Company's debt agreements have several covenants which require maintenance of a certain level of net worth, place restrictions on the amount of additional debt the Company may incur and require maintenance of minimum leverage ratios.

In December 1999, the Company paid off the 8.2 percent notes due in 2003 using cash generated from operations and additional commercial paper borrowings.

At December 31, 1999 and 1998, loans payable included $100 million and $54 million, respectively, of notes payable to banks and $13 million and $10 million, respectively, of bank overdrafts.

The Company has guaranteed the outstanding borrowings of its ESOP Trust. Cash contributions to the Trust, together with the dividends accumulated on the common stock held by the Trust, are used to pay interest and principal. Cash contributions and dividends to the Trust approximated $10 million in each year. The unearned compensation, which is reflected as a reduction to shareholders' investment, represents the historical cost of the shares of common stock that have not yet been allocated by the Trust to participants.

NOTE 8. OTHER LIABILITIES: Other liabilities at December 31 included the following:

$ Millions	1999	1998
Accrued retirement & post-employment benefits	$ 511	$ 720
Accrued product coverage & marketing expenses	175	156
Accrued compensation	42	38
Deferred income taxes	1	17
Other	59	69
	$ 788	$1,000

NOTE 9. INCOME TAXES: The provision for income taxes was as follows:

$ Millions	1999	1998	1997
Current:			
U.S. Federal and state	$43	$16	$16
Foreign	43	41	32
	86	57	48
Deferred:			
U.S. Federal and state	(17)	(34)	26
Foreign	(14)	(19)	-
	(31)	(53)	26
	$55	$ 4	$74

Significant components of net deferred tax assets related to the following tax effects of differences between financial and tax reporting at December 31:

$ Millions	1999	1998
Employee benefit plans	$282	$300
Product coverage & marketing expenses	126	106
Restructuring charges	34	14
US plant & equipment	(182)	(176)
Net foreign taxable differences, primarily plant and equipment	9	6
US Federal carryforward benefits:		
General business tax credits, expiring 2018 to 2019	22	43
Minimum tax credits, no expiration	15	12
Other net differences	13	12
	$319	$317
Balance Sheet Classification		
Current assets	$210	$203
Noncurrent assets	110	131
Noncurrent liabilities	(1)	(17)
	$319	$317

The Company expects to realize all of its tax assets, including the use of all carryforwards, before any expiration.

Earnings before income taxes and differences between the effective tax rate and US Federal income tax rate were:

$ Millions	1999	1998	1997
Earnings (loss) before income taxes:			
US	$232	$(21)	$205
Foreign	(11)	15	81
	$221	$ (6)	$286
Tax at 35 percent US statutory rate	$ 77	$ (2)	$100
Nondeductible EPA penalty	-	9	-
Nondeductible goodwill amortization	3	3	-
Research tax credits	(15)	(10)	(11)
Foreign sales corporation benefits	(18)	(9)	(11)
Differences in rates and taxability of foreign subsidiaries	10	15	(3)
All other, net	(2)	(2)	(1)
	$ 55	$ 4	$ 74

NOTE 10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT: The Company is exposed to financial risk resulting from volatility in foreign exchange rates and

interest rates. This risk is closely monitored and managed through the use of financial derivative contracts. As clearly stated in the Company's policies and procedures, financial derivatives are used expressly for hedging purposes, and under no circumstances are they used for speculating or trading. Transactions are entered into only with banking institutions with strong credit ratings, and thus the credit risk associated with these contracts is considered immaterial. Hedging program results and status are reported to senior management on a periodic basis.

Foreign Exchange Rates
Due to its international business presence, the Company uses foreign exchange forward contracts to manage its exposure to exchange rate volatility. Foreign exchange balance sheet exposures are aggregated and hedged at the corporate level. Maturities on these instruments generally fall within the one-month and six-month range. The objective of the hedging program is to reduce earnings volatility resulting from the translation of net foreign exchange balance sheet positions. The total notional amount of these forward contracts outstanding at December 31 was as follows:

$ Millions

Currency	1999	1998
British Pound	$120	$ 86
Euro	47	-
Australian Dollar	19	13
Hong Kong Dollar	8	8
Japanese Yen	7	6
Canadian Dollar	3	11
French Franc	-	23
German Mark	-	19
Other	2	8
	$206	$174

Interest Rates
The Company manages its exposure to interest rate fluctuations through the use of interest rate swaps. Currently the Company has in place three interest rate swaps that effectively convert fixed-rate debt into floating-rate debt. The objective of the swaps is to more efficiently balance borrowing costs and interest rate risk. The contracts were established during 1998 and 1999 and have a total notional value of $350 million.

Fair Value of Financial Instruments
Based on borrowing rates currently available to the Company for bank loans with similar terms and average maturities, the fair value of total debt, including current maturities, at December 31, 1999, approximated $1,104 million. The carrying value at that date was $1,215 million. At December 31, 1998, the fair and carrying values of total debt, including current maturities, were $1,214 and $1,227 million, respectively. The carrying values of all other receivables and liabilities approximated fair values.

NOTE 11. RETIREMENT PLANS: The Company has various contributory and noncontributory pension plans covering substantially all employees. Cummins common stock represented 11 percent of pension plan assets at December 31, 1999.

Cummins also provides various health care and life insurance benefits to eligible retirees and their dependents but reserves the right to change benefits covered under these plans. The plans are contributory with retirees' contributions adjusted annually, and they contain other cost-sharing features, such as deductibles, coinsurance and spousal contributions. The general policy is to fund benefits as claims and premiums are incurred.

The projected benefit obligation, accumulated benefit obligation and fair value of plan assets for plans with accumulated benefit obligations in excess of plan assets were $651 million, $636 million, and $513 million, respectively, as of December 31, 1999, and $1,296 million, $1,251 million, and $999 million, respectively, as of December 31, 1998. The assumed long-term rate of compensation increase for salaried plans was 5.25 percent in 1999 and 4.25 percent in 1998. Other significant assumptions for the Company's principal plans were:

	Pension Benefits		Other Benefits	
	1999	1998	1999	1998
Weighted-average discount rate	7.5%	6.5%	7.5%	6.5%
Long-term rate of return on plan assets	9.0%	10.0%		

For measurement purposes a 7 percent annual increase in health care costs was assumed for 2000, decreasing gradually to 5.25 percent in ten years and remaining constant thereafter.

Increasing the health care cost trend rate by one percent would increase the obligation by $43 million and annual expense by $4 million. Decreasing the health care cost trend rate by one percent would decrease the obligation by $42 million and annual expense by $4 million.

The Company's net periodic benefit cost under these plans was as follows:

$ Millions	Pension Benefits 1999	1998	1997	Other Benefits 1999	1998	1997
Service cost	$ 53	$ 47	$ 41	$ 8	$ 8	$ 8
Interest cost	116	123	115	40	44	41
Expected return on plan assets	(161)	(153)	(134)	-	-	-
Amortization of transition asset	(3)	(4)	(9)	-	-	-
Other	12	12	13	4	3	9
	$ 17	$ 25	$ 26	$ 52	$ 55	$ 58

$ Millions	Pension Benefits 1999	1998	Other Benefits 1999	1998
Change in benefit obligation:				
Benefit obligation at beginning of year	$1,907	$1,693	$ 640	$ 596
Service cost	53	47	8	8
Interest cost	116	123	40	44
Plan participants' contributions	7	7	1	1
Amendments	14	2	-	-
Experience (gain) loss	(103)	161	(21)	20
Benefits paid	(119)	(123)	(31)	(29)
Other	(10)	(3)	-	-
Benefit obligation at end of year	$1,865	$1,907	$ 637	$ 640
Change in plan assets:				
Fair value of plan assets at beginning of year	$1,692	$1,905	$ -	$ -
Actual return on plan assets	331	(129)	-	-
Employer contribution	20	34	30	28
Plan participants' contributions	7	7	1	1
Benefits paid	(119)	(123)	(31)	(29)
Other	(9)	(2)	-	-
Fair value of plan assets at end of year	$1,922	$1,692	$ -	$ -
Funded status	$ 57	$ (215)	$ (637)	$ (640)
Unrecognized:				
Experience (gain) loss (a)	(103)	172	55	80
Prior service cost (b)	51	55	(12)	(11)
Transition asset (c)	(5)	(7)	-	-
Net amount recognized	$ -	$ 5	$ (594)	$ (571)
Amounts recognized in the statement of financial position:				
Prepaid benefit cost	$ 102	$ 50	$ -	$ -
Accrued benefit liability	(114)	(232)	(594)	(571)
Intangible asset	12	104	-	-
Accumulated other comprehensive income	-	83	-	-
Net amount recognized	$ -	$ 5	$ (594)	$ (571)

(a) The net deferred (gain) loss resulting from investments, other experience and changes in assumptions.
(b) The prior service effect of plan amendments deferred for recognition over remaining service.
(c) The balance of the initial difference between assets and obligations deferred for recognition over a 15-year period.

NOTE 12. COMMON STOCK: The Company increased its quarterly common stock dividend from 27.5 cents per share to 30.0 cents, effective with the dividend payment in December 1999.

The Company repurchased 0.7 million shares on the open market at an aggregate purchase price of $34 million in 1999 and 0.4 million shares on the open market at an aggregate purchase price of $14 million in 1998. In 1997, the Company repurchased 1.3 million shares from Ford Motor Company and another 0.2 million shares on the open market at an aggregate purchase price of $75 million. All of the acquired shares are held as common stock in treasury.

In 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 stock held by this trust are not used in the calculation of earnings per share until allocated to a benefit plan.

NOTE 13. SHAREHOLDERS' RIGHTS PLAN: The Company has a Shareholders' Rights Plan which it first adopted in 1986. The Rights Plan provides that each share of the Company's common stock has associated with it a stock purchase right. The Rights Plan becomes operative when a person or entity acquires 15 percent of the Company's common stock or commences a tender offer to purchase 20 percent or more of the Company's common stock without the approval of the Board of Directors.

NOTE 14. EMPLOYEE STOCK PLANS: Under the Company's stock incentive and option plans, officers and other eligible employees may be awarded stock options, stock appreciation rights and restricted stock. Under the provisions of the stock incentive plan, up to one percent of the Company's outstanding shares of common stock at the end of the preceding year is available for issuance under the plan each year. At December 31, 1999, there were no shares of common stock available for grant and 1,732,875 options exercisable under the plans.

The Company accounts for stock options in accordance with APB Opinion No. 25 and related interpretations. No compensation expense has been recognized for stock options since the options have exercise prices equal to the market price of the Company's common stock at the date of grant.

Options	Number of Shares	Weighted-average exercise price
December 31, 1996	1,510,150	38.88
Granted	766,500	60.61
Exercised	(294,025)	35.85
Cancelled	(61,775)	42.66
December 31, 1997	1,920,850	46.08
Granted	703,660	45.34
Exercised	(54,075)	36.36
Cancelled	(27,425)	53.80
December 31, 1998	2,543,010	48.08
Granted	886,900	39.74
Exercised	(196,500)	39.71
Cancelled	(40,275)	43.99
December 31, 1999	3,193,135	46.65

Options outstanding at December 31, 1999, have exercise prices between $15.94 and $79.81 and a weighted-average remaining life of 7 years. The weighted-average fair value of options granted was $13.76 per share in 1999 and $18.61 per share in 1998. The fair value of each option was estimated on the date of grant using a risk-free interest rate of 5.6 percent in 1999 and 1998, current annual dividends, expected lives of 10 years and expected volatility of 34 percent. A fair-value method of accounting for awards subsequent to January 1, 1997, would have resulted in an increase in compensation expense of $8 million, net of tax ($.20 per share) in 1999, $8 million, net of tax ($.20 per share) in 1998 and $6 million, net of tax ($.14 per share) in 1997.

NOTE 15. COMPREHENSIVE INCOME: Comprehensive income includes net income and all other nonowner changes in equity during a period.

The tax effect on other comprehensive income is as follows:

$ Millions	Foreign Currency Translation Adjustments	Unrealized Losses on Securities	Minimum Pension Liability Adjustments	Total Other Compre-hensive Income

1999				
Pre-tax amount	$ 5	$(1)	$ 84	$ 88
Tax (expense) benefit	(1)	-	(29)	(30)
Net amount	$ (4)	$(1)	$ 55	$ 58
1998				
Pre-tax amount	$(44)	$(1)	$(83)	$(128)
Tax (expense) benefit	1	1	29	31
Net amount	$(43)	$ -	$(54)	$ (97)
1997				
Pre-tax amount	$(21)	$(1)	$ 12	$ (10)
Tax (expense) benefit	-	-	-	-
Net amount	$(21)	$(1)	$ 12	$ (10)

The components of accumulated other comprehensive income are as follows:

$ Millions	Foreign Currency Translation Adjustments	Unrealized Losses on Securities	Minimum Pension Liability Adjustments	Accumulated Other Comprehensive Income
Balance at 12/31/96	$ (47)	$ -	$(13)	$ (60)
Change in 1997	(21)	(1)	12	(10)
Balance at 12/31/97	(68)	(1)	(1)	(70)
Change in 1998	(43)	-	(54)	(97)
Balance at 12/31/98	(111)	(1)	(55)	(167)
Change in 1999	4	(1)	55	58
Balance at 12/31/99	$(107)	$(2)	$ -	$(109)

NOTE 16. SEGMENTS OF THE BUSINESS: The Company has three operating segments: Engine, Power Generation, and Filtration and Other. The engine segment produces engines and parts for sale to customers in automotive and industrial markets. The engines are used in trucks of all sizes, buses and recreational vehicles, as well as various industrial applications including construction, mining, agriculture, marine, rail and military. The power generation segment is the Company's power systems supplier, selling engines, generator sets and alternators and providing temporary power through rentals of generator sets. The filtration and other segment includes sales of filtration products and exhaust systems, turbochargers and company-owned distributors.

The Company's operating segments are organized according to products and the markets they each serve. This business structure was designed to focus efforts on providing enhanced service to a wide range of customers.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies except that the Company evaluates performance based on earnings before interest and income taxes and on net assets; therefore, no allocation of debt-related items and income taxes is made to the individual segments.

Operating segment information is as follows:

$ Millions

1999	Engine	Power Generation	Filtration and Other	Total
Net sales	$4,225	$1,356	$1,058	$6,639
Depreciation & amortization	146	47	40	233
Income (expense) from joint ventures and alliances	(4)	(25)	1	(28)
Earnings before interest, income taxes and unusual				

charges	182	52	122	356
Unusual charges	18	42	-	60
Earnings before interest and income taxes	164	10	122	296
Net assets	1,015	553	868	2,436
Investment in joint ventures and alliances	112	11	8	131
Capital expenditures	130	49	36	215
1998				
Net sales	$3,982	$1,230	$1,054	$6,266
Depreciation & amortization	120	40	39	199
Income (expense) from joint ventures and alliances	(4)	(25)	(1)	(30)
Earnings before interest, income taxes and unusual charges	136	25	121	282
Unusual charges	165	50	2	217
Earnings (loss) before interest & income taxes	(29)	(25)	119	65
Net assets	946	511	803	2,260
Investment in joint ventures and alliances	132	3	1	136
Capital expenditures	172	67	32	271
Additions to goodwill	12	2	370	384
1997				
Net sales	$3,666	$1,205	$ 754	$5,625
Depreciation & amortization	102	34	22	158
Income (expense) from joint ventures and alliances	12	(2)	-	10
Earnings (loss) before interest and income taxes	207	(2)	107	312
Net assets	1,074	531	312	1,917
Investment in joint ventures and alliances	133	65	6	204
Capital expenditures	304	79	22	405

Reconciliation to Consolidated Financial Statements:

	1999	1998	1997
Earnings before interest & income taxes for operating segments	$296	$ 65	$312
Interest expense	75	71	26
Income tax expense	55	4	74
Minority interest	6	11	-
Net earnings (loss)	$160	$(21)	$212

	1999	1998	1997
Net assets for reportable segments	$2,436	$2,260	$1,917
Liabilities deducted in arriving at net assets	1,922	1,926	1,583
Deferred tax assets not allocated to segments	320	334	256
Debt-related costs not allocated to segments	19	22	9
Total assets	$4,697	$4,542	$3,765

Summary geographic information is listed below:

$ Millions	US	UK	Canada	All Other	Total
1999					
Net sales (a)	$4,064	$ 400	$ 473	$1,702	$6,639
Long-lived assets	$1,434	$ 206	$ -	$ 264	$1,904
1998					
Net sales (a)	$3,595	$ 389	$ 459	$1,823	$6,266
Long-lived assets	$1,470	$ 209	$ -	$ 272	$1,951

1997

Net sales (a)	$3,123	$ 384	$ 318	$1,800	$5,625
Long-lived assets	$1,360	$ 251	$ -	$ 267	$1,878

(a) Net sales are attributed to countries based on location of customer.

Revenues from the Company's largest customer represent approximately $1.3 billion of the Company's net sales in 1999. These sales are included in the engine and filtration and other segments.

NOTE 17. GUARANTEES, COMMITMENTS AND OTHER CONTINGENCIES: At December 31, 1999, the Company had the following minimum rental commitments for noncancelable operating leases: $47 million in 2000, $38 million in 2001, $30 million in 2002, $26 million in 2003, $18 million in 2004 and $70 million thereafter. Rental expense under these leases approximated $75 million in 1999, $70 million in 1998 and $60 million in 1997.

Commitments under outstanding letters of credit, guarantees and contingencies at December 31, 1999, approximated $159 million.

Cummins and its subsidiaries are defendants in a number of pending legal actions, including actions related to use and performance of the Company's products. The Company carries product liability insurance covering significant claims for damages involving personal injury and property damage. In the event the Company is determined to be liable for damages in connection with actions and proceedings, the unreserved portion of such liability is not expected to be material. The Company also has been identified as a potentially responsible party at several waste disposal sites under US and related state environmental statutes and regulations and has joint and several liability for any investigation and remediation costs incurred with respect to such sites. The Company denies liability with respect to many of these legal actions and environmental proceedings and vigorously is defending such actions or proceedings. The Company has established reserves that it believes are adequate for its expected future liability in such actions and proceedings where the nature and extent of such liability can be estimated reasonably based upon presently available information.

NOTE 18. QUARTERLY FINANCIAL DATA (unaudited):

$ Millions, except per share amounts	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
1999					
Net sales	$1,505	$1,667	$1,631	$1,836	$6,639
Gross profit	301	371	361	385	1,418
Net earnings	24	58	53	25	160
Basic earnings per share	$ .63	$ 1.51	$ 1.37	$ .65	$ 4.16
Diluted earnings per share	.63	1.50	1.35	.65	4.13
1998					
Net sales	$1,500	$1,635	$1,525	$1,606	$6,266
Gross profit	297	369	258	325	1,249
Net earnings (loss)	7	53	(110)	29	(21)
Basic earnings (loss) per share	$ .18	$ 1.39	$(2.86)	$ .75	$ (.55)
Diluted earnings (loss) per share	.18	1.38	(2.86)	.75	(.55)

Fourth quarter 1999 net earnings included a charge of $45 million, net of tax ($60 million pretax), or $1.17 per share, for the termination of the Cummins Wartsila joint venture.

First quarter 1998 gross profit included a $43 million special charge for product coverage costs. The special charge, net of taxes, included in net earnings was $30 million or $.78 per share.

Third quarter 1998 gross profit included special charges of $49 million for product coverage costs and inventory write-downs. Net loss for the period also included charges for restructuring, EPA penalties and other non-recurring items. The total charges, net of tax, included in net loss were $130 million or $3.38 per share.

CUMMINS WARTSILA SAS
BALANCE SHEET AS OF
December 31, 1999

(FRF thousands)

	December 31, 1999	12/31/98

ASSETS	Gross	Amort. & Provisions	Net	Net
Intangible fixed assets				
Research & development costs	10,709	5,619	5,090	4,100
Goodwill	12,760	7,656	5,104	5,742
Franchises, patents, licenses	423,697	148,668	275,029	390,090
Software	40,874	31,439	9,435	8,182
Intangible fixed assets in-progress	1,816	-	1,816	916
	489,856	193,382	296,474	409,030
Tangible fixed assets				
Land	925	-	925	925
Buildings, fixtures, fittings	152,100	84,906	67,194	87,036
Technical plant and machinery	461,272	271,927	189,345	201,448
Other tangible fixed assets	40,306	27,725	12,581	14,367
Tangible fixed assets in-progress	35,056	-	35,056	34,018
Advances and down payments	-	-	-	124
	689,659	384,558	305,101	337,918
Long-term investments				
Equity investments	6,699	4,424	2,275	2,275
Receivables from controlled entities	1,374	-	1,374	1,374
Loans and other long-term investments	53,238	846	52,392	20,165
	61,311	5,270	56,041	23,814
Fixed assets	1,240,826	583,210	657,616	770,762
Inventories and work-in-progress				
Raw materials and other supplies	62,553	14,927	47,626	68,830
Supplies	11,315	284	11,031	3,668
Production work-in-progress	151,275	8,642	142,633	171,895
Semi-finished goods	226,352	35,573	190,779	180,238
Finished goods	23,171	-	23,171	30,375
	474,666	59,426	415,240	455,006
Advances & down payments on orders	35,752	-	35,752	28,200
Receivables				
Receivables from sales	640,469	68,068	572,401	423,001
Other operating receivables	65,852	9,833	56,019	126,579
Liaison account	-	-	-	-
	706,321	77,901	628,420	549,580
Marketable securities	451	-	451	451
Cash-on-hand	37,363	-	37,363	15,229
Current assets	1,254,553	137,327	1,117,226	1,048,466
Prepaid expenses	9,121	-	9,121	11,577
Charges to be spread over several periods	3,459	-	3,459	4,613
Unrealized foreign exchange losses	6,574	-	6,574	8,091
TOTAL ASSETS	2,514,533	720,537	1,793,996	1,843,509

CUMMINS WARTSILA SAS
BALANCE SHEET AS OF
December 31, 1999

(FRF thousands)

LIABILITIES	December 31, 1999 Amounts	Partial Amounts	12/31/98 Amounts
Shareholders' equity			
Share Capital	500,000		500,000
Legal Reserve	-		-
Restricted reserve as of 3/31/98	-		129,521
L/T capital gain reserve	2,967		2,967
Profit and loss brought forward	(451,967)		-
Income for the period	106,072		(581,488)
Investment subsidies	8,385		8,047
Cumulative translation adjustment	26,776		14,497
Total shareholders' equity		192,233	73,544
Conditional advances		5,598	5,598
Provision for legal disputes and commitments	103,901		77,192
Provision for restructuring and retirement	166,681		276,722
Total provisions		270,582	353,914
Liabilities			
Financial liabilities:			
Medium-term loans	640,000		844,000
Short-term credits	-		-
Miscellaneous loans and financial liabilities	17,521		21,898
Other loans	9,467		34,337
		666,988	900,235
Down payments on orders in-progress		254,800	100,327
Operating liabilities			
Trade payables & assimilated accounts	305,914		325,443
Tax and social liabilities	58,272		45,835
Other liabilities	26,213		30,408
		390,399	401,686
Payables to fixed asset suppliers		3,586	4,110
Total liabilities		1,315,773	1,406,358
Prepaid revenue		2,184	1,499
Unrealized gains on foreign exchange		7,626	2,596
TOTAL LIABILITIES		1,793,996	1,843,509

CUMMINS WARTSILA SAS
INCOME STATEMENT
December 31, 1999

(FRF thousands)

	12/31/99	12/31/98
Operating revenues		
Net revenues	1,031,011	955,348
Change in stored production	(43,159)	32,355
In-house production	9,410	75,972
Subsidies	466	2,114
Reversal of provisions and expense transfers	167,147	179,941
Other revenues	839	2,484
	1,165,714	1,248,214
Operating expenses		
Purchases	594,749	626,352
Change in inventories	(13,449)	22,375
Other purchases & external charges	403,213	441,074
Taxes and assimilated payments	13,814	19,598
Payroll and associated costs	209,846	198,983
Social charges	75,869	83,419

Allocations:		
Depreciation & amortization of tangible and intangible fixed assets	103,152	99,156
Depreciation of charges allocated over several periods	1,153	1,153
Provisions for depreciation of assets	34,012	41,236
Provisions for losses & contingencies	164,620	89,414
Other charges	21,850	6,156
	1,608,829	1,628,916
1. Operating income/loss	(443,115)	(380,702)
Share of income from joint ventures	1,695	-
Financial income		
Other interest & assimilated income	2,463	3,357
Reversal of provisions and expense transfers	9,094	5,406
Positive exchange rate differences	9,572	14,961
	21,129	23,724
Financial charges		
Depreciation and provisions	8,412	9,094
Interest and assimilated charges	37,715	34,983
Negative exchange rate differences	17,750	18,335
	63,877	62,412
2. Financial income/loss	(42,748)	(38,688)
3. Current income before tax	(484,168)	(419,390)
"Exceptional" revenues		
On management transactions	600,460	882
On capital transactions	1,195	1,161
Share of investment subs. allocated to income statement	190	97
Reversal of other provisions	140,285	15,292
	742,130	17,432
"Exceptional" charges		
On management transactions	43,265	7,478
On capital transactions	1,020	1,251
Restructuring expense	107,405	176,800
	151,690	185,529
4. Extraordinary income/loss	590,440	(168,097)
5. Corporate income tax	200	(5,999)
6. Income/loss	106,072	(581,488)

NOTES

1. Activity

The twelve month financial period ended December 31, 1999 shows accounting revenues of FRF 1,031.0 million (Euro 157.1 million), compared to FRF 955.3 million (Euro 145.6 million) for the previous financial period.

Net sales development

(FRF millions)
(12-months periods)

Year	Net Sales
1994	1,012
1995	1,085
1996	1,191
1997	1,206
1998	955
1999	1,031

Direct exports were FRF 533.2 million (Euro 81.3 million), i.e. 52% of total revenues excluding taxes. Taking indirect exports into account, the share of revenues relating to foreign markets was FRF 743.4 million (Euro 113.3 million), i.e. 72% of revenues excluding taxes.

Direct exports in 1999
FRF 533.2 million

Foreign Markets	Percent of Export Sales
Europe	41%
Asia	21%
Africa	20%
Americas	17%
Other	1%

Orders in 1999 amounted to FRF 1,017 million (Euro 155 million). At the end of the period, new orders were FRF 540 million (Euro 82 million).

332 megawatts were delivered in 1999.

2. Accounting principles

Cummins Wartsila prepares its financial statements in accordance with French accounting principles.

The same accounting principles were used as those used for the 1998 financial period.

2.1. Foreign currency translation

Transactions in foreign currency outside Euro area are recorded at the following exchange rates:

. Daily transactions are converted into French francs as follows:
  - Purchase and sales invoices by using the monthly rates published by the French Customs Authorities.
  - Payments and receipts using daily bank rates.

. Valuation of receivables and liabilities in foreign currency as of December 31, 1999 takes place in line with the last known rate before the period end. These rates were published in the Journal Officiel (Gazette).

The assets and liabilities of the two sites in England are converted using the exchange rate in effect on December 31, 1999. The income statement is converted at the average monthly exchange rate.

2.2. Intangible fixed assets

The costs of studies and trials relating to specific markets and benefiting from advances whose repayment is conditional are booked in Research and Development costs. The amount for this year is FRF 4.5 million (Euro 0.7 million). These costs are amortized over a period of three years.

Former WARTSILA France's own goodwill, increased by the contribution related to the takeover of Societe Surgerienne de Constructions Mecaniques of Budi and by the repair activity of Wartsila Diesel France, is amortized over a period of twenty years.

Intangible fixed assets related to know-how and technology of engines CW 200 and the CW 170, capitalized in 1997 for an amount of FRF 350 million and increased to FRF 418.9 million by the end of 1998, are amortized on a straight-line basis over a period of 15 years. Further to the change of Shareholders and to the split of the CW 170 activity forecasted for January 2000:

. the 1999 costs related to know-how and technology of the CW 200 were capitalized for a sum of FRF 4.7 million (Euro 0.7 million). These costs are amortized over the remaining useful life of the intangible fixed assets mentioned at the beginning of this paragraph.

. an extraordinary depreciation of FRF 91.2 million (Euro 13.9 million) related to the technology of CW 170 was booked.

Software is amortized on a straight-line basis over four years; low value software is amortized over 12 months.

2.3. Tangible fixed assets

Tangible fixed assets are recorded at their acquisition cost.

Depreciation is calculated on a straight-line basis over the following useful life periods:

. Buildings	20	years
. Fixtures and fittings	10	years
. Industrial equipment	10	years
. Development motors	2	years
. Plant	3	years
. Transport equipment	4	years
. Furniture	10	years
. Office equipment	4	years
. IT equipment	4	years

2.4. Inventories and work-in-progress

Purchased inventory is valued at average weighted cost.

Work-in-progress is valued at total cost of production, which includes both cost of material purchased and manufacturing costs. Manufacturing costs include normal production costs as well as depreciation charges.

Articles with a low turnover are subject to sliding provisions of up to 100% of their value. Provisions are booked in work-in-progress accounts if circumstances place the completion of the project in jeopardy.

A provision is set aside for inventories of raw materials and work-in-progress relating to engines in the start-up phase of production when inventory costs exceed the estimated sales price. The provision recorded represents the excess of costs over the sales price.

2.5. Sales

The principle of product recognition is the following:

. upon dispatch of the engines and the spare parts

. upon completion of work in relation to repairs and upgrading

. for important, large-scale engines whose manufacture involves long-term contracts, product recognition is applied according to the following methods:

Engineering contracts:

. for the study and document submission phases, billing takes place as work progresses; the triggering event is the submission of plans.

. equipment is billed on the basis of deliveries on a pro rata basis with a check being made to ensure that the margin generated at this stage is in line with the average margin of the contract as a whole.

Military contracts:

. Billing for development and industrialization contracts takes place as work progresses at a pace agreed on by the parties.

. as work progresses for turn key installations.

2.6. Loss and contingency provisions

Provisions are set aside for the estimated value of the work to be carried out relating to the installation and commissioning of engines delivered and invoiced.

The company sets aside provisions on the basis of statistical data in order to cover possible expenses relating to the guarantee given to customers.

Lastly, contingency provisions are set aside for legal disputes with customers likely to involve either additional work or to pose a risk to the payment of receivables.

2.7. Retirement indemnities

Estimated retirement indemnities due upon the retirement of an employee, to which must be added social charges at the average company rate, are calculated according to the following criteria:

. employees' length of service with the company

- person's age
- mortality table
- turnover rate of the company's own personnel
- discount rate, excluding inflation
- inflation rate

3. Shareholders' equity

3.1. Share capital

As of March 31, 1999, the share capital was FRF 500,000,000. It is composed of 5,000,000 shares, each of a par value of FRF 100. The capital is held in equal amounts by CUMMINS ENGINE COMPANY Limited and WARTSILA NSD Corporation.

3.2. Reserve account

Following the decision of the Ordinary General Meeting of Cummins Wartsila of June 30, 1999, the reserve account is balanced with the corresponding amount of the 1999 loss.

3.3. Loss of half of capital

Due to the losses recorded in the financial accounts, shareholders' equity has fallen below half the nominal value of share capital. Decision concerning the continuation of the business activity was taken during the Extraordinary General Meeting of October 31, 1999. The regularization of the situation must take place in 2001 at the latest.

4. Comments relating to exceptional items

The most significant extraordinary items consist of:

	(FRF Millions) Charges	Revenues
. Loan waver		600.0
. Reversal of the excess provision for restructuring charges		139.6
. Penalties on contracts	9.6	
. Shutdown of Ramsgate (UK)	31.9	
. Depreciation related to the CW 170 technology	91.2	
. Tangible Fixed Assets provision linked to the restructuring	16.2	

5. Subsidies

The company received an investment subsidy for the acquisition of new equipment. A portion of this subsidy is reversed to income at the same rate as depreciation relating to equipment.

Furthermore, the company receives Credit National loans known as `article 90' loans for the financing of research programs. These loans are only repaid if research results are successful. In the case of a recognized failure or if commercial success has not been achieved within a certain time, these loans are converted into subsidies.

6. Operating receivables

Provisions, calculated on a case by case basis, are set aside for doubtful debts.

7. Research tax credit

The company has got a receivable related to tax research credit in its accounts.

This credit may be set against the charge for tax during the next three years following the closing year where the declaration was issue. After this period, the portion exceeding the tax charge will be paid back to the company.

8. Prepaid expenses

This account consists mainly of insurance charges of FRF 6.5 million (Euro 1 million) to be allocated over the twelve months following payment of the premium.

9. Charges to be spread over several periods

These consist of costs borne by the company relating to engines installed in field tests. They are spread over 5 years and 1/5 of the costs are amortized in the current period.

10. Off balance sheet commitments

The company's commitments relating to the hedging of future currency to be cashed in or out during the next twelve months are as follows:

	Amount in millions foreign currency	Amount in millions FRF	Amount in millions Euro
. USD	6.3	40.0	6.1
. GBP	1.6	16.3	2.4

Other miscellaneous commitments appear in the table attached as an appendix.

11. Incorporation into the consolidated financial statements

The financial statements of our company are consolidated on a like by like basis, using the equity method of consolidation, by our parent companies:

CUMMINS ENGINE COMPANY, Inc., Columbus, Indiana, USA

METRA CORPORATION, Helsinki, Finland

In light of the insignificant nature of the subsidiaries held by CUMMINS WARTSILA, consolidated financial statements were not prepared.

12. Information concerning the remuneration of the directors

This information was not provided, as it would have led to disclosure of the amount of an individual salary.

I. MOVEMENT IN FIXED ASSETS - GROSS VALUE

(FRF thousands)

	Situation As of 1/1/99	Acquisitions	Disposals	Gross Value As Of 12/31/99
Intangible fixed assets				
Research & development costs	6,150	4,559	-	10,709
Goodwill	12,760	-	-	12,760
Licenses	50	-	-	50
Software	32,643	8,249	18	40,874
Know-how W170 & W200	418,907	4,740	-	423,647
Intangible fixed assets in-progress	916	900	-	1,816
	471,426	18,448	18	489,856
Tangible fixed assets				
Land	925	-	-	925
Buildings,fixtures,fittings	149,869	5,086	2,855	152,100
Technical plant & machinery	426,222	38,161	3,111	461,272
Other tangible fixed assets	39,123	3,593	2,410	40,306
Tangible fixed assets in-progress	34,018	1,038	-	35,056
Advances and down payments	124	(124)	-	-
	650,281	47,754	8,376	689,659

II. MOVEMENT OF DEPRECIATION AND AMORTIZATION CHARGES

(FRF thousands)

Situation Allocation Depr. of Situation

	as of 1/1/99	for the period	disposed assets	as of 12/31/99
Intangible fixed assets				
Research & development costs	2,050	3,569	-	5,619
Goodwill	7,018	638	-	7,656
Licenses	5	5	-	10
Software	24,461	6,996	18	31,439
Know-how W170 & W200	28,861	119,797	-	148,658
	62,395	131,005	18	193,382
Tangible fixed assets				
Buildings,fixtures,fittings	62,833	24,194	2,121	84,906
Technical plant & machinery	224,774	50,252	3,099	271,927
Other tangible fixed assets	24,756	5,105	2,136	27,725
	312,363	79,551	7,356	384,558

<TABLE>

III. MOVEMENT OF ALL PROVISIONS

(FRF thousands)

<CAPTION>

	Situation 1/1/99	Allocations Operations	Allocations Financial	Reversal Operations	Reversal Financial	Reversal Extra-ordinary	Situation 12/31/99
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Equity interests and assimilated accounts	4,570	-	700	-	- -	-	5,270
Inventories & work-in-progress	60,218	26,252	-	27,044	- -	-	59,426
Doubtful debts France	9,357	821	-	1,002	- -	3	9,173
Doubtful debts exports	25,652	6,926	-	18,741	- -	7	13,830
Doubtful debts - other legal disputes	47,424	13	-	2,372	- -	-	45,065
Other receivables	10,183	-	-	-	- -	350	9,833
Total depreciation on current assets	152,834	34,012	-	49,159	- -	360	137,327
Provision for legal disputes and commitments							
Legal disputes	19,555	6,233	-	3,714	- -	-	22,074
Guarantees	47,602	63,809	-	37,345	- -	-	74,066
Other provisions	892	-	-	892	- -	-	-

Sub-total contingency provision	68,049	70,042	-	41,951	- -	-	96,140
Social-foreign exchange losses	9,143	-	7,712	-	9,094	-	7,761
Provision for restructuring and retirement							
Work to be carried out	82,611	94,578	-	63,709	- -	-	113,480
Provision for retirement indemnities	17,011	-	-	985	- -	-	16,026
Provision for 1998 planned redundancy scheme	176,800	-	-	-	- -	139,625	37,175
Other provisions	300	-	-	-	- -	300	-
Sub-total provision for losses	276,722	94,578	-	64,694	- -	139,925	166,681
Total provisions	353,914	164,620	7,712	106,645	9,094	139,925	270,582
Total	511,318	198,632	8,412	155,804	9,094	140,285	413,179

</TABLE>

IV. TRADE RECEIVABLES

(FRF thousands)

	Amount > 1 year	Amount < 1 year	Gross Total	Depreciation
Receivables on capitalized assets				
Receivables from controlled entities	1,374		1,374	
Loans	19,300		19,300	
Current assets receivables				
Trade receivables and assimilated accounts				
France				
Affiliated companies	-	31,984	31,984	-
Other receivables	225	155,993	156,218	24,376
Commercial papers	56	14,458	14,514	-
Total France	281	202,435	202,716	24,376
Export				
Affiliated companies	248	115,376	115,624	9,473
Other receivables	2,646	314,064	316,710	34,219
Commercial papers	-	-	-	-
Total export	2,894	429,440	432,334	43,692
Total receivables	3,175	631,875	635,050	68,068
Other receivables				
Affiliated companies	-	2,997	2,997	-
Others	5,200	63,074	68,274	9,833

Total other receivables	5,200	66,071	71,271	9,833

V. FINANCIAL LIABILITIES

(FRF thousands)

	Maturity date < 1 year	Maturity date 1-5 years	Maturity date > 5 years	Total
Medium-term loans	-	640,000	-	640,000
Other loans	17,688	-	9,300	26,988
Total	17,688	640,000	9,300	666,988

VI. INCOME STATEMENT (SPECIAL FORMAT)

(FRF thousands)

	12/31/99	12/31/98
Production sold	1,031,011	955,349
Change in inventory of finished goods & WIP	(43,159)	32,355
Self-created fixed assets	9,410	75,971
Total production	997,262	1,063,675
Purchases adj. for changes in inventories	(836,135)	(878,092)
Other external charges	(142,551)	(149,478)
Change in provision for losses	(30,868)	(11,929)
Value added	(12,292)	24,176
Operating subsidies	466	2,114
Taxes and assimilated payments	(13,739)	(19,414)
Payroll charges	(280,272)	(277,028)
Operating cash flow	(305,837)	(270,152)
Depreciation and amortization charges	(104,306)	(100,308)
Change in provision on current assets	15,145	(21,295)
Change in contingency provision	(27,106)	(4,733)
Other revenues	839	2,483
Other charges	(21,850)	(6,156)
Operating income	(443,115)	(400,161)
Share of income from joint ventures	1,695	-
Financial income	21,129	23,724
Financial charges	(63,877)	(62,411)
Current income	(484,168)	(438,848)
"Exceptional" revenue	740,934	(141,168)
"Exceptional" charges	(150,670)	(7,478)
Income before tax	106,096	(587,494)
Corporate income tax	(200)	5,999
Income on disposal of fixed asset items	176	7
Net accounting income	106,072	(581,488)

VII. TABLE OF OFF BALANCE SHEET COMMITMENTS

(FRF thousands)

Affiliated

Type of commitment	Total	Companies	Others
Commitments given			
Commercial guarantees provided by banks and other institutions	141,966	6,187	135,779
Lease purchase commitments	2,296	-	2,296
Total	144,262	6,187	138,075
Commitments received			
Guarantees received from suppliers	5,304	-	5,304
Guarantees on lines of credit	1,000,000	1,000,000	-
Total	1,005,304	1,000,000	5,304
Reciprocal commitments			
Sale of foreign currency futures	40,031	-	40,031
Purchase of foreign currency futures	16,333	-	16,333
Total	56,364	-	56,364
Discounted bills	5,035	-	5,035

*Sales and purchases of foreign currency are shown in the appendix.

<TABLE>

VIII - FINANCIAL RESULTS OVER THE LAST FIVE YEARS

(Articles 133, 135 and 148 of Decree n 67-236 of March 23, 1967 relating to commercial enterprises)

<CAPTION>

<S>	1995 <C>	1996 <C>	1997 <C>	1998 <C>	1999 <C>
1. Financial situation at period end					
a. Share capital	150,000,000	150,000,000	753,556,800	500,000,000	500,000,000
b. Number of existing ordinary shares	1,500,000	1,500,000	7,535,568	5,000,000	5,000,000
c. Number of preferred dividend shares	n/a	n/a	n/a	n/a	n/a
d. Maximum number of shares to be created in the future	n/a	n/a	n/a	n/a	n/a
2. Global results from operations					
a. Revenues before tax	1,085,450,627	1,191,058,795	1,205,712,690	955,348,271	1,031,010,914
b. Income before tax, *depreciation & provisions	257,827,072	17,971,164	(74,413,761)	(297,331,650)	219,843,859
c. Income tax	100,000	100,000	100,000	150,000	200,000
d. Income after tax, depreciation & provisions	25,686,089	10,356,903	(119,669,536)	(581,488,331)	106,071,630
e. Profits distributed	n/a	n/a	n/a	n/a	n/a
3. Results on a per share basis					
a. Income after tax but before depreciation & provisions	171.82	11.91	(9.89)	(59.50)	49.93
b. Income after tax, depreciation and provisions	17.12	6.90	(15.88)	(116.30)	21.21

c. Dividend paid on each share	n/a	n/a	n/a	n/a	n/a

4. Personnel

a. Number of employees at period end	669	727	1,049	1,004	805
b. Payroll	144,694,599	133,506,549	221,238,494	198,983,384	209,845,693
c. Social charges & assimilated amounts (social security & social works),etc.	60,054,014	60,484,248	90,707,469	83,418,514	75,869,335

*Income before tax,depreciation,provisions and cancellation of receivables	257,827,072	17,971,164	(74,413,761)	(297,331,650)	(380,156,141)

</TABLE>

<TABLE>

IX - INFORMATION ON PURCHASE LEASE AGREEMENTS AS OF DECEMBER 31, 1999

(FRF thousands)

<CAPTION>

	Leased fixed assets				Balance sheet including leased fixed assets		
		Depreciation charges					
Balance sheet item	Initial cost (1)	Of the period (2)	Accumulated (2)	Net value	Gross value	Depreciation	Net value
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Land	-	-	-	-	925	-	925
Buildings	3,545	142	1,276	2,269	155,645	86,182	69,463
Technical plant, equipment and machinery	-	-	-	-	461,272	271,927	189,345
Other fixed assets	-	-	-	-	40,306	27,725	12,581
Fixed assets in-progress	-	-	-	-	35,056	-	35,056
Totals	3,545	142	1,276	2,269	693,204	385,834	307,370

(1) Value of these assets upon signature of contracts.
(2) Allocation for the period and accumulated charges which would have been recorded if these assets had been acquired
and depreciated on a straight-line basis.
</TABLE>

<TABLE>
<CAPTION>

Purchase lease commitments

	Lease payments made		Outstanding lease payments			Residual purchase
Balance sheet item	Of the period	Accumulated	< 1 year	1 to 5 years	>	

					5 years	Total due	price (1)
Land	-	-	-	-	- -	-	-
Buildings	367	3,436	367	1,774	29	2,170	126
Technical plant, equipment and machinery	-	-	-	-	- -	-	-
Other fixed assets	-	-	-	-	- -	-	-
Fixed assets in-progress	-	-	-	-	- -	-	-
Totals	367	3,436	367	1,774	29	2,170	126

(1) According to the contract.

<TABLE>

X - INFORMATION RELATING TO SUBSIDIARIES AND EQUITY INTEREST

(FRF thousands)

<CAPTION>

	Capital	Other share capital	Share of capital held (%)	Accounting value of shares held Gross	Accounting value of shares held Net	Loans and advances granted by CW not yet paid back	1999 Revenues (excl.taxes)	Income 1999
A. Detailed information on equity interests								
1) Subsidiary (at least 50% of capital held)								
Cummins Wartsila ACO	1,446,000	1,433,120	99.99	3,071,100	2,050,426	1,553,577	17,744,624	492,906
Cummins Wartsila West Africa	100,000	467,147	100.00	100,000	100,000	300,000	7,104,039	203,251
Cummins Wartsila Moteurs S.A.	-	-	-	125,000	125,000	- -	-	-
2) Equity interest (10 to 50% of capital held)	-	-	-	-	-	- -	-	-
B. Detailed information on other subsidiaries or equity interests								
1) Subsidiaries not covered in paragraph A								
a) French subsidiaries (1)	-	-	-	3,378,255	-	9,200,000	-	-
b) Foreign subsidiaries	-	-	-	-	-	- -	-	-
2) Equity interests not covered in paragraph A								
a) in French companies (2)	-	-	-	25,000	-	- -	-	-
b) in Foreign companies	-	-	-	-	-	- -	-	-

1) SACM ROUBAIX : 100% depreciated
2) LEBOCEY : 100% depreciated

</TABLE>

<TABLE>

XI. DEFERRED AND CONTINGENT TAX LIABILITY

(FRF thousands)

<CAPTION>

	Situation at the beginning of the period				Movements of the period
	Amount of item	Deferred Taxation Receivables	Contingent Taxation Receivables	Liabilities	Liabilities Decrease
<S>	<C>	<C>	<C>	<C>	<C>
Long-term capital gain taxed at 10%	450	-	-	128	- -
Long-term capital gain taxed at 15%	2,029	-	-	481	- -
Long-term capital gain taxed at 19%	488	-	-	94	- -
Long-term capital losses	44,511	-	16,322	-	- -
Loss carry-forwards	325,507	119,363	-	-	51,379
Deferred depreciation	231,041	84,723	-	-	- -
Provision for paid leave	15,264	5,597	-	-	4,811
Provision for exchange rate losses	9,094	3,335	-	-	1,381
Contingent tax liability (FRF)	1,235	453	-	-	- -
Provision for retirement indemnities	17,011	6,238	-	-	985
Amortization of goodwill	7,018	-	2,574	-	- -
TOTAL	653,648	219,709	18,896	703	58,556
Balance of deferred taxation		219,709			
Balance of contingent taxation			18,193		

</TABLE>
<TABLE>
<CAPTION>

	Situation at the end of the period			
	Amount of item	Deferred Taxation Receivables	Contingent Receivables	Taxation Liabilities
<S>	<C>	<C>	<C>	<C>
Long-term capital gain taxed at 10%	450	-	-	128
Long-term capital gain taxed at 15%	2,029	-	-	481
Long-term capital gain taxed at 19%	488	-	-	95

Long-term capital losses	44,511	-	16,322	-
Loss carry-forwards	274,128	100,523	-	-
Deferred depreciation	303,236	111,197	-	-
Provision for paid leave	10,453	3,833	-	-
Provision for exchange rate losses	7,713	2,828	-	-
Contingent tax liability (FRF)	1,348	494	-	-
Provision for retirement indemnities	16,026	5,877	-	-
Amortization of goodwill	7,656	-	2,807	-
TOTAL	668,038	224,752	19,129	704
Balance of deferred taxation		224,752	18,425	
Balance of contingent taxation				

N.B.: Corporate income tax rate at the beginning and end of the period: 36.67%

</TABLE>

XII. ITEMS RELATING TO SEVERAL BALANCE SHEET ITEMS AND CONCERNING AFFILIATED COMPANIES

(FRF thousands)

	Gross amount	Depreciation	Net amount
1. Assets			
1.1 Fixed Assets			
Equity interests	3,296	1,021	2,275
Receivables from controlled entities	1,374	-	1,374
1.2 Current Assets			
Advances & down payments on orders	786	-	786
Trade receivables and assimilated accounts	147,608	9,474	138,134
Other receivables	2,997	-	2,997
2. Liabilities			
Equity loan			-
Other cash advances			-
Other loans			-
Advances on orders-in-progress			27,374
Trade payables and assimilated accounts			53,665
Other liabilities			3,751
Financial revenue			-
Financial charges			7,521

Affiliated companies:
CUMMINS
CUMMINS WARTSILA WEST AFRICA
CUMMINS WARTSILA ACO
CUMMINS WARTSILA MOTEUR S.A.
WARTSILA (Consolidated Group)
METRA FINANCE

<TABLE>

XIII - BREAKDOWN OF WORKFORCE - SITE/SECTOR

<CAPTION>

	Mulhouse	Surgeres	Gennevilliers	Venissieux	Gemenos	UK	Total
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>

Workers	157	37	-	-	-	- -	194
Fitters	22	7	3	-	-	- -	32
Middle Management	269	65	11	9	2	- -	356
Executives	184	17	4	1	1	- -	207
Apprentices	1	-	-	-	-	- -	1
UK	-	-	-	-	-	15	15
December 31, 1999	633	126	18	10	3	15	805
December 31, 1998	694	257	20	11	5	17	1,004

</TABLE>

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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/K. M. Patel
K. M. Patel
Executive Vice President &
Chief Financial Officer
(Principal Financial Officer)

By /s/R. C. Crane
R. C. Crane
Vice President -
Corporate Controller
(Principal Accounting Officer)

Date: March 1, 2000

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signatures	Title	Date
* (Theodore M. Solso)	Director & Chairman and Chief Executive Officer (Principal Executive Officer)	3/1/2000
* (Harold Brown)	Director	3/1/2000
* (Robert J. Darnall)	Director	3/1/2000
* (John M. Deutch)	Director	3/1/2000
* (W. Y. Elisha)	Director	3/1/2000
* (Hanna H. Gray)	Director	3/1/2000

Signatures	Title	Date
* (James A. Johnson)	Director	3/1/2000
* (William I. Miller)	Director	3/1/2000
* (William D. Ruckelshaus)	Director	3/1/2000
* (H. B. Schacht)	Director	3/1/2000
* (F. A. Thomas)	Director	3/1/2000
* (J. Lawrence Wilson)	Director	3/1/2000

By /s/K. M. Patel
K. M. Patel
Attorney-in-fact

CUMMINS ENGINE COMPANY, INC.
EXHIBIT INDEX

3(a) Restated Articles of Incorporation of Cummins Engine Company, Inc., as amended (incorporated by reference to Quarterly Report on Form 10-Q for the quarter ended April 3, 1994, by reference to Quarterly Report on Form 10-Q for the quarter ended October 1, 1989 and by reference to Form 8-K dated July 26, 1990).

3(b) By-laws of Cummins Engine Company, Inc., as amended and restated effective as of August 12, 1994 (incorporated by reference to Quarterly Report on Form 10-Q for the quarter ended October 2, 1994).

4(a) Amended and Restated Credit Agreement (incorporated by reference to Quarterly Report on Form 10-Q for the quarter ended March 29, 1998).

4(b) Rights Agreement, as amended (incorporated by reference to Annual Report on Form 10-K for the year ended December 31, 1989, by reference to Form 8-K dated July 26, 1990, by reference to Form 8 dated November 6, 1990, by reference to Form 8-A/A dated November 1, 1993, and by reference to Form 8-A/A dated January 12, 1994 and by reference to Form 8-A/A dated July 15, 1996).

10(a) Target Bonus Plan (incorporated by reference to Annual Report on Form 10-K for the year ended December 31, 1996).

10(b) Deferred Compensation Plan (incorporated by reference to Annual Report on Form 10-K for the year ended December 31, 1994).

10(c) Key Employee Stock Investment Plan, as amended (incorporated by reference to Quarterly Report on Form 10-Q for the quarter ended July 3, 1994).

10(d) Supplemental Life Insurance and Deferred Income Plan (incorporated by reference to Annual Report on Form 10-K for the year ended December 31, 1996).

10(e) Financial Counseling Program, (incorporated by reference to Quarterly Report on Form 10-Q for the quarter ended

July 3, 1994).

10(f) 1986 Stock Option Plan (incorporated by reference to Quarterly Report on Form 10-Q for the quarter ended March 30, 1986, Exhibit 10(g)).

10(g) Deferred Compensation Plan for Non-Employee Directors, as amended, effective as of April 15, 1994 (incorporated by reference to Annual Report on Form 10-K for the year ended December 31, 1994).

10(h) Key Executive Compensation Protection Plan (incorporated by reference to Quarterly Report on Form 10-Q for the quarter ended October 2, 1994).

10(i) Excess Benefit Retirement Plan, (incorporated by reference to Quarterly Report on Form 10-Q for the quarter ended October 2, 1994).

10(j) Employee Stock Purchase Plan (incorporated by reference to Annual Report on Form 10-K for the year ended December 31, 1998).

10(k) Retirement Plan for Non-Employee Directors of Cummins Engine Company, Inc., as amended February 1997 (incorporated by reference to Quarterly Report on Form 10-Q for the quarter ended March 30, 1997).

10(l) Stock Unit Appreciation Plan effective October 1990 (incorporated by reference to Quarterly Report on Form 10-Q for the quarter ended April 2, 1995, Exhibit 10(m)).

10(m) Three Year Performance Plan as amended February 1997 (incorporated by reference to Quarterly Report on Form 10-Q for the quarter ended March 30, 1997).

10(n) Consulting arrangement with Harold Brown (incorporated by reference to the description thereof provided in the Company's definitive Proxy Statement).

10(o) 1992 Stock Incentive Plan (incorporated by reference to Annual Report on Form 10-K for the year ended December 31, 1995, Exhibit 10(s)).

10(p) Restricted Stock Plan for Non-Employee Directors, as amended February 11, 1997 (incorporated by reference to Quarterly Report on Form 10-Q for the quarter ended March 30, 1997).

10(q) Executive Retention Plan (incorporated by reference to Annual Report on Form 10-K for the year ended December 31, 1995, Exhibit 10(u)).

10(r) Performance Share Plan, as amended January 1989 (incorporated by reference to Quarterly Report on Form 10-Q for the quarter ended April 2, 1995, Exhibit 10(j)).

10(s) Senior Executive Bonus Plan (incorporated by reference to Annual Report on Form 10-K for the year ended December 31, 1996).

10(t) Senior Executive Three Year Performance Plan, as amended February 11, 1997 (incorporated by reference to Quarterly Report on Form 10-Q for the quarter ended March 30, 1997).

21 Subsidiaries of the Registrant (filed herewith).

23 Consent of Arthur Andersen LLP (filed herewith).

24 Powers of Attorney (filed herewith).

27 Financial Data Schedule (filed herewith).

EXHIBIT 21

CUMMINS ENGINE COMPANY, INC.

SUBSIDIARIES OF THE REGISTRANT

Subsidiary/Joint Venture	State or Country of Incorporation
A. F. Shane Company	Pennsylvania
Aggregatebau GmbH	Germany
Agreba Aggregatebau GmbH & Co. KG	Germany
Agreba Beteiligungas GmbH	Germany
Atlas Crankshaft Corporation	Ohio
Autofield Engineers Private Limited	India
Auto Diesels Power Plant Limited	United Kingdom
Behr America, Inc.	Delaware
Behr Climate Systems, Inc.	Delaware
Behr Heat Transfer Systems, Inc.	Delaware
Cadec Systems, Inc.	Indiana
Cal Disposition, Inc.	California
C. G. Newage Electrical, Ltd.	India
Chongqing Cummins Engine Company, Ltd.	China
CNE S/A Industrial	Brazil
Consolidated Diesel Company	North Carolina
Consolidated Diesel, Inc.	Delaware
Consolidated Diesel of North Carolina, Inc.	North Carolina
Cummins Americas, Inc.	Indiana
Cummins Australia Pty. Limited	Australia
Cummins Brasil, S.A. Ltda.	Brazil
Cummins British Columbia	Canada
Cummins Corporation	Indiana
Cummins de Colombia, S.A.	Colombia
Cummins Diesel Deutschland GmbH	Germany
Cummins Diesel Export Limited	Barbados
Cummins Diesel of Canada Limited	Canada
Cummins Diesel International Limited	Barbados
Cummins Diesel Italia S.P.A.	Italy
Cummins Diesel (Japan) Ltd.	Japan
Cummins Diesel Limited	Canada
Cummins Diesel N.V.	Belgium
Cummins Diesel Sales Corporation	Indiana
Cummins Diesel Sales & Service (Korea)	Korea
Cummins Diesel Sales & Service, Ltd. (India)	India
Cummins Engine (Beijing) Co., Ltd.	China
Cummins Engine (China) Investment Company	China
Cummins Engine Company Limited	New Zealand
Cummins Engine Company Limited	United Kingdom
Cummins Engine H.K. Limited	Hong Kong
Cummins Engine Holding Company, Inc.	Indiana
Cummins Engine Shanghai Services & Trading Co. Ltd.	China
Cummins Engine (Singapore) Pte. Ltd.	Singapore
Cummins Engine Venture Corporation	Indiana
Cummins Financial, Inc.	Delaware
Cummins Finance Limited	United Kingdom
Cummins Funding Corporation	Delaware
Cummins France EURL	France
Cummins Great Lakes, Inc.	Indiana
Cummins India Ltd.	India
Cummins India Holdings Limited	India
Cummins International Finance Corporation	Delaware
Cummins KH-12, Inc.	Delaware
Cummins Komatsu Engine Company	Indiana
Cummins Korea, Ltd.	Korea
Cummins Mexicana, S.A. de C.V.	Mexico
Cummins Military Systems Company	Delaware
Cummins Natural Gas Engines, Inc.	Delaware
Cummins Original Equipment Remanufacturer	Canada
Cummins Power Generation Australia Pty. Ltd.	Australia
Cummins Power Generation, Inc.	Indiana
Cummins Power Service & Parts Corporation	Hong Kong
Cummins Research Limited Partnership	United States
Cummins S. de R.L. de C.V.	Mexico
Cummins Ten Holdings Ltd.	Canada
Cummins U.K. Limited	United Kingdom
Cummins Venture Corporation	Delaware
Cummins Xiangfan Machine Co. Ltd.	China
Cummins Wartsila Engine Company, S.A.S.	France

Cummins Zimbabwe Pvt. Ltd.	Zimbabwe
Diesel ReCon de Mexico, S.A. de C.V.	Mexico
Diesel ReCon Industria e Comercio Ltda.	Brazil
Digisonix, Inc.	Wisconsin
Distribuidora Cummins Ltda.	Argentina
Dong Feng Cummins Engine Company Ltd.	China
Empresas Cummins S.A. de C.V.	Mexico
Enceratec, Inc.	Maryland
Engine Systems Limited	Pakistan
European Engine Alliance EEIG	England
Fleetguard Commercial S.A. de C.V.	Mexico
Fleetguard Filtration Systems, India Pvt. Ltd.	India
Fleetguard GmbH	Germany
Fleetguard, Inc.	Indiana
Fleetguard International Corporation	Indiana
Fleetguard Korea, Ltd.	Korea
Fleetguard Mexico S.A. de C.V.	Mexico
Fleetguard SNC	France
FLNL Servicios de R.L. de C.V.	Mexico
Getrag Precision Gear Company, LLC	South Carolina
Hodek Engineering Co. Ltd.	India
Holset Brasil Equipamentos Automotores Ltda.	Brazil
Holset Engineering Company, Inc.	Indiana
Holset Engineering Company Limited	United Kingdom
Holset Services Ltd.	United Kingdom
Holset SNC	France
HPI Company	Indiana
Hyperbar USA, Inc.	Indiana
Industria e Comercio Cummins Ltda.	Brazil
Industrial Power Alliance, Ltd.	Japan
Integrated Distribution Systems, Inc.	Delaware
Innovative Computing Company	Oklahoma
KamDizel	Russia
Komatsu Cummins Chile, Ltda.	Chile
Komatsu Cummins Engine Co., Ltd.	Japan
Kuss Corporation	Ohio
Kuss SNC	France
Logstrup Modular Systems PTE, Limited	Singapore
Markon Engineering Company Ltd.	United Kingdom
MHTC Corporation	Delaware
Motores Cummins Diesel do Brazil, Ltda.	Brazil
Muenchworks Limited	Canada
NAP Accoustics South East Asia PTE, Limited	Singapore
Nelson Engine Systems India Private Ltd.	India
Nelson Industries Europe, G.m.b.H.	Germany
Nelson Industries, Inc.	Wisconsin
Nelson Mexico, de R.L. de C.V.	Mexico
Nelson Muffler Canada Inc.	Canada
Nelson-Burgess, Ltd.	Canada
Newage Engineers G.m.b.H.	Germany
Newage Engineers Pty. Ltd.	Australia
Newage (Far East) Pte. Ltd.	Singapore
Newage International Limited	United Kingdom
Newage Italia S.R.L.	Italy
Newage Ltd. (UK)	United Kingdom
Newage Ltd. (US)	Pennsylvania
Newage Machine Tools Limited	United Kingdom
Newage Norge	Norway
No. 379 Taurus Ventures Ltd.	Canada
Northwest Dieselguard Limited	Canada
Nu-Plant Service Limited	United Kingdom
Ona Corporation	Alabama
Onan Australia Pty. Limited	Australia
Onan Canada Limited	Canada
Onan Corporation	Delaware
Onan Foreign Holdings, Ltd.	Delaware
Onan FSC Limited	Jamaica
Onan International B.V.	The Netherlands
Onan International Limited	United Kingdom
Onan New York, Inc.	New York
Pacific World Trade, Inc.	Indiana
Park Avenue Limited Partnership	United States
PBB Transit	Delaware
Petbow Custom Generators Limited	United Kingdom
Petbow Far East PTE, Limited	Singapore
Petbow Limited	United Kingdom
Petbow Pacific Limited	Hong Kong
Petbow Power Projects Limited	United Kingdom
Petbow S.A.	France
Petbow Welding Products Limited	United Kingdom
PGI Manufacturing Limited	United Kingdom

PGI (UK Holdings) Limited	United Kingdom
PGI (Overseas Holdings) B.V.	The Netherlands
Poona Couplings, Ltd.	India
Power Group International Limited	United Kingdom
Power Group International (Overseas Holdings) Limited	United Kingdom
Precise Power Corporation	Florida
Professional Data Processing, Inc.	Wisconsin
PT Newage Engineers Indonesia	Indonesia
Shanghai Fleetguard Filter Co., Ltd.	China
Shanghai Fleetguard International Trading Co.	China
Shenghen Congfa Cummins Co., Ltd.	China
Stamford Iberica	Spain
Tata Cummins Ltd.	India
TATA Holset Private Limited	India
Turbo Europa, B.V.	The Netherlands
WABCO Compressor Manufacturing Company	Delaware
Wuxi Holset Engineering Company Limited	China
Wuxi Newage Alternators Ltd.	China
124747 Canada Limited	Canada
14-15 Corporation	Nevada

EXHIBIT 23

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our report, included in this Form 10-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
March 16, 2000.

CUMMINS ENGINE COMPANY, INC.
POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that the undersigned hereby constitutes and appoints K. M. Patel with full power to act without the other as his true and lawful attorney-in-fact and agent, with full and several powers of substitution and resubstitution for him in his name, place and stead, in any and all capacities, to sign the Annual Report on Form 10-K of Cummins Engine Company, Inc. ("the Company") for the Company's fiscal year ended December 31, 1999 and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Dated: March 1, 2000

/s/Theodore M. Solso

Theodore M. Solso
Director & President and
Chief Operating Officer

CUMMINS ENGINE COMPANY, INC.
POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that the undersigned hereby constitutes and appoints K. M. Patel with full power to act without the other as his true and lawful attorney-in-fact and agent, with full and several powers of substitution and resubstitution for him in his name, place and stead, in any and all capacities, to sign the Annual Report on Form 10-K of Cummins Engine Company, Inc. ("the Company") for the Company's fiscal year ended December 31, 1999 and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Dated: March 1, 2000

/s/Harold Brown

Harold Brown
Director

CUMMINS ENGINE COMPANY, INC.
POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that the undersigned hereby constitutes and appoints K. M. Patel with full power to act without the other as his true and lawful attorney-in-fact and agent, with full and several powers of substitution and resubstitution for him in his name, place and stead, in any and all capacities, to sign the Annual Report on Form 10-K of Cummins Engine Company, Inc. ("the Company") for the Company's fiscal year ended December 31, 1999 and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Dated: March 1, 2000

/s/Robert J. Darnall

Robert J. Darnall
Director

CUMMINS ENGINE COMPANY, INC.
POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that the undersigned hereby constitutes and appoints K. M. Patel with full power to act without the other as his true and lawful attorney-in-fact and agent, with full and several powers of substitution and resubstitution for him in his name, place and stead, in any and all capacities, to sign the Annual Report on Form 10-K of Cummins Engine Company, Inc. ("the Company") for the Company's fiscal year ended December 31, 1999 and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Dated: March 1, 2000

/s/John M. Deutch

John M. Deutch
Director

CUMMINS ENGINE COMPANY, INC.
POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that the undersigned hereby constitutes and appoints K. M. Patel with full power to act without the other as his true and lawful attorney-in-fact and agent, with full and several powers of substitution and resubstitution for him in his name, place and stead, in any and all capacities, to sign the Annual Report on Form 10-K of Cummins Engine Company, Inc. ("the Company") for the Company's fiscal year ended December 31, 1999 and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Dated: March 1, 2000

/s/W. Y. Elisha
____
W. Y. Elisha
Director

CUMMINS ENGINE COMPANY, INC.
POWER OF ATTORNEY
____

KNOW ALL PERSONS BY THESE PRESENTS, that the undersigned hereby constitutes and appoints K. M. Patel with full power to act without the other as his true and lawful attorney-in-fact and agent, with full and several powers of substitution and resubstitution for him in his name, place and stead, in any and all capacities, to sign the Annual Report on Form 10-K of Cummins Engine Company, Inc. ("the Company") for the Company's fiscal year ended December 31, 1999 and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Dated: March 1, 2000

/s/Hanna H. Gray
____
Hanna H. Gray
Director

CUMMINS ENGINE COMPANY, INC.
POWER OF ATTORNEY
____

KNOW ALL PERSONS BY THESE PRESENTS, that the undersigned hereby constitutes and appoints K. M. Patel with full power to act without the other as his true and lawful attorney-in-fact and agent, with full and several powers of substitution and resubstitution for him in his name, place and stead, in any and all capacities, to sign the Annual Report on Form 10-K of Cummins Engine Company, Inc. ("the Company") for the Company's fiscal year ended December 31, 1999 and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Dated: March 1, 2000

/s/James A. Johnson
____
James A. Johnson
Director

CUMMINS ENGINE COMPANY, INC.
POWER OF ATTORNEY
____

KNOW ALL PERSONS BY THESE PRESENTS, that the undersigned hereby constitutes and appoints K. M. Patel with full power to act without the other as his true and lawful attorney-in-fact and agent, with full and several powers of substitution and resubstitution for him in his name, place and stead, in any and all capacities, to sign the Annual Report on Form 10-K of Cummins Engine Company, Inc. ("the Company") for the Company's fiscal year ended December 31, 1999 and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Dated: March 1, 2000

/s/William I. Miller

William I. Miller
Director

CUMMINS ENGINE COMPANY, INC.
POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that the undersigned hereby constitutes and appoints K. M. Patel with full power to act without the other as his true and lawful attorney-in-fact and agent, with full and several powers of substitution and resubstitution for him in his name, place and stead, in any and all capacities, to sign the Annual Report on Form 10-K of Cummins Engine Company, Inc. ("the Company") for the Company's fiscal year ended December 31, 1999 and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Dated: March 1, 2000

/s/William D. Ruckelshaus

William D. Ruckelshaus
Director

CUMMINS ENGINE COMPANY, INC.
POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that the undersigned hereby constitutes and appoints K. M. Patel with full power to act without the other as his true and lawful attorney-in-fact and agent, with full and several powers of substitution and resubstitution for him in his name, place and stead, in any and all capacities, to sign the Annual Report on Form 10-K of Cummins Engine Company, Inc. ("the Company") for the Company's fiscal year ended December 31, 1999 and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Dated: March 1, 2000

/s/H. B. Schacht

H. B. Schacht
Director

CUMMINS ENGINE COMPANY, INC.
POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that the undersigned hereby constitutes and appoints K. M. Patel with full power to act without the other as his true and lawful attorney-in-fact and agent, with full and several powers of substitution and resubstitution for him in his name, place and stead, in any and all capacities, to sign the Annual Report on Form 10-K of Cummins Engine Company, Inc. ("the Company") for the Company's fiscal year ended December 31, 1999 and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Dated: March 1, 2000

/s/F. A. Thomas

F. A. Thomas
Director

CUMMINS ENGINE COMPANY, INC.
POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that the undersigned hereby constitutes and appoints K. M. Patel with full power to act without the other as his true and lawful attorney-in-fact and agent, with full and several powers of substitution and resubstitution for him in his name, place and stead, in any and all capacities, to sign the Annual Report on Form 10-K of Cummins Engine Company, Inc. ("the Company") for the Company's fiscal year ended December 31, 1999 and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Dated: March 1, 2000

/s/J. Lawrence Wilson

J. Lawrence Wilson
Director

<TABLE> <S> <C>

<ARTICLE> 5
<MULTIPLIER> 1,000,000

<S>   <C>
<PERIOD-TYPE>   YEAR
<FISCAL-YEAR-END>   DEC-31-1999
<PERIOD-END>   DEC-31-1999
<CASH>   74
<SECURITIES>   0
<RECEIVABLES>   1,035
<ALLOWANCES>   9
<INVENTORY>   787
<CURRENT-ASSETS>   2,180
<PP&E>   3,120
<DEPRECIATION>   1,490
<TOTAL-ASSETS>   4,697
<CURRENT-LIABILITIES>   1,314
<BONDS>   1,092
<PREFERRED-MANDATORY>   0
<PREFERRED>   0
<COMMON>   121
<OTHER-SE>   1,308
<TOTAL-LIABILITY-AND-EQUITY>   4,697
<SALES>   6,639
<TOTAL-REVENUES>   6,639
<CGS>   5,221
<TOTAL-COSTS>   5,221
<OTHER-EXPENSES>   60
<LOSS-PROVISION>   0
<INTEREST-EXPENSE>   75
<INCOME-PRETAX>   221
<INCOME-TAX>   55
<INCOME-CONTINUING>   160
<DISCONTINUED>   0
<EXTRAORDINARY>   0
<CHANGES>   0
<NET-INCOME>   160
<EPS-BASIC>   4.16
<EPS-DILUTED>   4.13

</TABLE>