

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K/A
ANNUAL REPORT PURSUANT TO SECTION 13 or 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended December 31, 1998

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

TABLE OF CONTENTS

Part	Item	Description	Page
IV	14	Cummins Wartsila SAS Financial Statements	4
		Signatures	32

PART IV

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

Documents filed as a part of this report:

1. Cummins Wartsila SAS Financial Statements for the years ended December 31, 1998 and 1997 together with the Auditor's Report.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Shareholders of Cummins Wartsila SAS:

In compliance with the assignment entrusted to us by your shareholders' annual general meeting, we hereby report to you, for the year ended December 31, 1998, on:

- the audit of the financial statements of Cummins Wartsila reported in French Francs and prepared in accordance with French GAAP. These include:
 - . a balance sheet
 - . a profit and loss statement
 - . Notes 1 to 12
 - . Schedules I to XIII
- the audit of Schedule XIV a reconciliation to US Generally Accepted Accounting Principles in accordance with SEC Item 17 of Form 20-F.
- the specific verifications and information required by law.

These financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

1. OPINION ON THE FINANCIAL STATEMENTS

We conducted our audit in accordance with the professional standards applied in France which essentially are similar to Generally Accepted Accounting 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 statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements give a fair presentation of the company's financial position and its assets and liabilities as of December 31, 1998, and of the results of its operations for the year then ended in accordance with accounting principles generally accepted in France. In our opinion, the reconciliation schedule gives a fair presentation of all significant adjustments necessary to be consistent with US Generally Accepted Accounting Principles.

2. SPECIFIC VERIFICATIONS AND INFORMATION

We also performed the specific verifications required by law, in accordance with the professional standards applied in France.

We have no comment as to the fair presentation and the conformity with the financial statements of the information given in the management report of the Board of Directors, and in the documents addressed to the shareholders with respect to the financial position and the financial statements.

We communicate to you that, due to the incurred losses, total equity of the Company has become lower than half of share capital as of December 31, 1998. In accordance with article 241 of the law from July 24, 1966, you have to be convened in an extraordinary shareholders' meeting to be held before 4 months after the general meeting approving the present financial statements to decide whether to dissolve the Company. If the dissolution is not decided, we remind you that the Company will have to restore its equity to a level at least equal to half of share capital by December 31, 2001.

Neuilly-sur-Seine , June 29, 1999

BARBIER FRINAULT & ASSOCIES
Nicolas Job

CUMMINS WARTSILA SAS
BALANCE SHEET AS OF
December 31, 1998

(FRF thousands)

ASSETS	12/31/98		12/31/97	
	Gross	Amort. & Provisions	Net	Net
Intangible Fixed Assets				
Research & development costs	6,150	2,050	4,100	0
Goodwill	12,760	7,018	5,742	6,380
Franchises Patents Licenses	418,957	28,867	390,090	347,133
Software	32,643	24,461	8,182	13,252
Intangible fixed assets in-progress	916	-	916	500
	<u>471,426</u>	<u>62,396</u>	<u>409,030</u>	<u>367,265</u>
Tangible Fixed Assets				
Land	925	-	925	925
Buildings, Fixtures, Fittings	149,870	62,834	87,036	83,166
Technical plant and machinery	426,221	224,773	201,448	179,358
Other tangible fixed assets	39,123	24,756	14,367	15,949
Tangible fixed assets in-progress	34,018	-	34,018	60,992
Advances and down payments	124	-	124	1,014
	<u>650,281</u>	<u>312,363</u>	<u>337,918</u>	<u>341,404</u>
Long-Term Investments				
Equity investments	6,699	4,424	2,275	2,150
Receivables from controlled entities	1,374	-	1,374	1,374
Loans and other long-term				

investments	20,312	147	20,165	19,655
	<u>28,385</u>	<u>4,571</u>	<u>23,814</u>	<u>23,179</u>
Fixed Assets	<u>1,150,092</u>	<u>379,330</u>	<u>770,762</u>	<u>731,848</u>
Inventories and Work-In-Progress				
Raw materials and other supplies	85,459	16,629	68,830	81,788
Supplies	3,751	83	3,668	3,121
Production work-in-progress	173,762	1,867	171,895	157,291
Semi-finished goods	221,877	41,639	180,238	202,841
Finished goods	30,375	0	30,375	0
	<u>515,224</u>	<u>60,218</u>	<u>455,006</u>	<u>445,041</u>
Advances & down payments on Orders	28,200		28,200	18,101
Receivables:				
Receivables from sales	505,434	82,433	423,001	432,529
Other operating receivables	136,762	10,183	126,579	55,710
Liaison account			0	
	<u>642,196</u>	<u>92,616</u>	<u>549,580</u>	<u>488,239</u>
Marketable Securities	451		451	22,525
Cash-On-Hand	15,229		15,229	43,141
Current Assets	<u>1,201,300</u>	<u>152,834</u>	<u>1,048,466</u>	<u>1,017,047</u>
Prepaid Expenses	11,577		11,577	7,785
Charges to be spread over several periods	4,613		4,613	0
Unrealized Foreign Exchange Losses	8,091		8,091	2,657
Total Assets	<u>2,375,673</u>	<u>532,164</u>	<u>1,843,509</u>	<u>1,759,337</u>

	12/31/98		12/31/97
LIABILITIES	Amounts	Partial Amounts	Amounts
Shareholders' Equity			
Share capital	500,000		753,557
Legal reserve			7,674
Restricted reserve as of 3/31/98	129,521		
L/T capital gain reserve	2,967		2,967
FNI reserve - Cote d'Ivoire			5
Additional paid-in capital			58,670
Retained earnings			(155,716)
CWEC merger clearing account			85,000
Income for the period	(581,488)		(119,669)
Investment subsidies	8,047		2,052
Cumulative translation adjustment	14,497		30,362
Total Shareholders' Equity		<u>73,544</u>	<u>664,902</u>
Conditional Advances		5,598	
Provisions for legal disputes and commitment	77,192		66,295
Provisions for restructuring and retirement	276,722		132,578
Total Provisions		<u>353,914</u>	<u>198,873</u>
Liabilities:			
Financial liabilities:			
. Medium-term loans	844,000		74,667
. Short-term credits			311,050
. Miscellaneous loans and financial liabilities	21,898		22,129
. Other loans	34,337		9,855
		<u>900,235</u>	<u>417,701</u>
Down payments on orders in-progress		100,327	114,829

Operating liabilities:		
. Trade payables & assimilated accounts	325,443	279,517
. Tax and social liabilities	45,835	47,917
. Other liabilities	30,408	23,199
	<u>401,686</u>	<u>350,633</u>
Payables to fixed asset suppliers	4,110	4,726
Total Liabilities	<u>1,406,358</u>	<u>887,889</u>
Prepaid Revenue	1,499	1,047
Unrealized Gains on Foreign Exchange	2,596	6,626
Total Liabilities	<u>1,843,509</u>	<u>1,759,337</u>

CUMMINS WARTSILA SAS
INCOME STATEMENT

(FRF thousands)

	1/1/98 to 12/31/98	1/1/97 to 12/31/97
Operating Revenues		
Net revenues	955,348	1,205,713
Change in stored production	32,355	(23,994)
In-house production	75,972	13,256
Subsidies	2,114	2,886
Reversal of provisions and expense transfers	179,941	165,231
Other revenues	2,484	11,820
Total	<u>1,248,214</u>	<u>1,374,912</u>
Operating Expenses		
Purchases	626,352	656,777
Change in inventories	22,375	(24,777)
Other purchases & external charges	441,074	392,208
Taxes and assimilated payments	19,598	23,844
Payroll and associated costs	198,983	221,238
Social charges	83,419	90,707
Allocations:		
Depreciation & amortization of tangible and intangible fixed assets	99,156	66,958
Depreciation of charges allocated over several periods	1,153	
Provisions for depreciation of assets	41,236	57,636
Provisions for losses & contingencies	89,414	118,797
Other charges	6,156	8,185
Total	<u>1,628,916</u>	<u>1,611,573</u>
1. Operating Income/Loss	<u>(380,702)</u>	<u>(236,661)</u>
Share of Income From Joint Ventures		4,378
Financial Income		
Other interest & assimilated income	3,357	7,273
Reversal of provisions and expense transfers	5,406	2,275
Positive exchange rate differences	14,961	41,878
Total	<u>23,724</u>	<u>51,426</u>
Financial Charges		
Depreciation and provisions	9,094	5,406
Interest and assimilated charges	34,983	19,033
Negative exchange rate differences	18,335	23,486
Total	<u>62,412</u>	<u>47,925</u>
2. Financial Income/Loss	<u>(38,688)</u>	<u>3,501</u>
3. Current Income Before Tax	<u>(419,390)</u>	<u>(228,782)</u>
"Exceptional" Revenues		
On management transactions	882	206,642
On capital transactions	1,161	127,169
Share of investment subs. allocated to income statement	97	

Reversal of other provisions	15,292	61,881
Total	<u>17,432</u>	<u>395,692</u>
"Exceptional" Charges		
On management transactions	7,478	58,844
On capital transactions	1,251	232,905
Restructuring expense	176,800	3,500
Total	<u>185,529</u>	<u>295,249</u>
4. Extraordinary Income/Loss	<u>(168,097)</u>	<u>100,443</u>
5. Corporate Income Tax	<u>(5,999)</u>	<u>(8,670)</u>
6. Income/Loss	<u>(581,488)</u>	<u>(119,669)</u>

NOTES

1. Activity

The twelve month financial period ended December 31, 1998 shows accounting revenues of FRF 955.3 million (Euro 145.6 million), compared to FRF 1,205.7 million (Euro 183.8 million) for the previous financial period.

Movement In Net Sales

(FRF millions)	
12 Month Period	
Year	Net Sales
1993	1,058
1994	1,012
1995	1,085
1996	1,191
1997	1,206
1998	955

Direct exports were FRF 580 million (Euro 88 million), i.e. 61% of total revenues excluding taxes. Taking indirect exports into account, the share of revenues relating to foreign markets was FRF 603 million (Euro 92 million), i.e. 63% of revenues excluding taxes.

Direct exports 1998: FRF 580 million

Foreign Markets	Percent of Export Sales
Europe	50%
Asia	24%
Americas	18%
Africa	7%
Other	1%

Orders in 1998 amounted to FRF 857 million (Euro 131 million). At the end of the period, new orders were FRF 555 million (Euro 85 million).

278 megawatts were delivered in 1998.

Cummins Wartsila SAS's marketing network relies mainly on the parent companies' distribution structures.

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 1997 financial period, with the exception of the recording of Research and Development costs (see paragraph 2.2 below).

2.1. Foreign currency translation

Transactions in foreign currency 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, 1998:
- Euro zone currencies: unrealized foreign exchange gains and losses are recorded in line with the Euro currency exchange rates as set at December 31, 1998.
 - Non-Euro zone currencies: valuation takes place in line with the last known rate before the period end. These rates were published in the Journal Official (Gazette) of January 1, 1999.

The assets and liabilities of the two sites in England are converted using the exchange rate in effect on December 31, 1998. The income statement is converted at the average monthly exchange rate.

2.2. Intangible fixed assets

The company has decided to book the costs of studies and trials relating to specific markets and benefiting from advances whose repayment is conditional, in Research and Development costs. 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 Chirurgienne 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 capitalized in 1997 for an amount of FRF 350 million, relating to know-how and technology in respect of the CW 200 and the CW 170 motors, are amortized on a straight-line basis over a period of 15 years. The 1998 costs relating to know-how and technology in respect of these motors was capitalized for a sum of FRF 68.9 million, bringing the amount in intangible fixed assets to FRF 418.9 million at the end of the period. These costs are amortized over the remaining useful life of the intangible fixed assets mentioned at the beginning of this paragraph.

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 90% 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 contract takes place as work progresses at a pace agreed on by the parties.

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, 1998, the Extraordinary General Meeting of Shareholders decided:

- . to reduce the share capital from FRF 753,556,800 to FRF 500,000,000
- . transform the company into a simplified joint-stock company

As of December 31, 1998, 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 Extraordinary General Meeting of Cummins Wartsila of March 31, 1998, a reserve account was set up for an amount of FRF 129,520,500 corresponding to the amount of estimated losses for the first quarter of 1998. This account can only be used either for offsetting future losses or for being included in share capital.

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. Decisions concerning the continuation of the business activity will be examined within the legal deadlines.

4. Comments relating to exceptional items

The most significant extraordinary items consist of:

	(FRF millions)	
	Charges	Rev.
	_____	_____
. Release of provision for retirement indemnity corresponding to employees made redundant		11.3
. Reversal of the excess provision for restructuring charges following the shutdown of the melting activity		2.8
. Penalties on contracts	4.5	
. Additional pensions	1.4	
. Restructuring provision	176.8	
. Research tax credit	5.8	

The restructuring provision of FRF 176.8 million is composed of:

. costs related to the planned redundancy scheme	105.3
. write-off of tangible fixed assets	52.5
. costs relating to the transfer of activities	19.0

Costs related to the planned redundancy scheme have been computed based on amounts pursuant to detailed benefit programs, contractual provisions or statutory requirements for each category of employees. Planned workforce reduction is approximately 320 people. None of these employees left the company prior to December 31, 1998.

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

Because of research and development undertaken in 1998, the company declared a tax research credit of approximately FRF 5.8 million which is recorded in the income statement as a tax revenue.

This credit may be set against the charge for tax during the next three years. 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 8.8 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)
	_____	_____
. USD	31	174

. DEM	16	55
. GBP	5	47

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 1/1/98	Acquisitions	Disposals	Gross Value As Of 12/31/98
<u>Intangible Fixed Assets</u>				
Research & Development Costs		6,150		6,150
Goodwill	12,760			12,760
Licenses	50			50
Software	30,905	1,738		32,643
Know-How W170 & W200	350,000	68,907		418,907
Intangible Fixed Assets In-Progress	500	416		916
Total	394,215	77,211		471,426
<u>Tangible Fixed Assets</u>				
Land	925			925
Buildings Fixtures Fittings	136,478	16,249	2,858	149,869
Technical Plant & Machinery	372,841	80,557	27,176	426,222
Other Tangible Fixed Assets	36,867	3,790	1,534	39,123
Tangible Fixed Assets In-Progress	60,992	(26,974)		34,018
Advances and Down Payments	1,014	(890)		124
Total	609,117	72,732	31,568	650,281

II. MOVEMENT OF DEPRECIATION AND AMORTIZATION CHARGES

(FRF thousands)

	Situation As of 1/1/98	Allocation for the Period	Depr. of Disposed Assets	Situation As Of 12/31/98
<u>Intangible Fixed Assets</u>				

Research & Development Costs		2,050		2,050
Goodwill	6,380	638		7,018
Licenses		5		5
Software	17,653	6,808		24,461
Know-How W170 & W200	2,917	25,944		28,861
Total	26,950	35,445		62,395
Tangible Fixed Assets				
Buildings Fixtures Fittings	53,312	10,393	872	62,833
Technical Plant & Machinery	193,482	47,057	15,765	224,774
Other Tangible Fixed Assets	20,919	4,977	1,140	24,756
Total	267,713	62,427	17,777	312,363

<TABLE>

III. MOVEMENT OF ALL PROVISIONS

(FRF thousands)

<CAPTION>

ALLOCATIONS

REVERSAL

EXTRA- OPERATIONS	SITUATION		SITUATION 01/01/98 12/31/98	REGUL./ MEDIUM SP	EXTRA- OPERATIONS	FINANCIAL	EXTRA- ORDINARY
	FINANCIAL	ORDINARY					
<S>			<C>	<C>	<C>	<C>	<C>
<C>	<C>	<C>	<C>				
Equity Interests and Assimilated Accounts 4,570			4,570				
Inventories & work-in-progress 19,645			59,217 60,218		20,646		
Doubtful debts France 184			9,349 9,357		192		
Doubtful debts exports 105			24,505 25,652		1,487		
Doubtful debts - other legal disputes 7			27,534 47,424		19,897		
Other receivables 350			10,533 10,183				
Marketable securities							
Total Depreciation on Current Assets: 19,941		585	131,138 152,834		42,222		
Provision for Legal Disputes and Commitments							
.Legal disputes 4,115		215	18,382 19,555	50	5,453		
.Guarantees 2,246			35,728 47,602		14,120		
.Other provisions 5,811		27	6,730 892				

Sub-total Contingency Provision	60,840	50	19,573				
12,172	242	68,049					
Social-Foreign Exchange Losses	5,455			9,094			
5,406	9,143						
Provision for Restructuring and Retirement							
.Work to be carried out	88,406	(8,033)	69,880				
67,642	82,611						
.Provision for retirement indemnities	40,672						
12,396	11,265	17,011					
.Provision for 1998 planned redundancy scheme					176,800		
176,800							
.Other provisions	3,500						
3,200	300						
Sub-total Provision for Losses	132,578	(8,083)	69,880		176,800		
80,038	14,465	276,722					
Total Provisions	198,873	(7,983)	89,453	9,094	176,800		
92,210	5,406	14,707	353,914				
			334,581	(7,983)	131,675	9,094	176,800
			511,318				

</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	18,558		18,558	
Current Assets Receivables				
Trade receivables and assimilated accounts				
France				
Affiliated companies		31,091	31,091	
Other receivables		107,373	107,373	24,696
Commercial papers		27,022	27,022	
Total France		165,486	165,486	24,696
Export				
Affiliated companies	542	146,069	146,611	6,877
Other receivables	587	192,734	193,321	50,860
Commercial papers		15	15	
Total Export	1,129	338,818	339,947	57,737
Total Receivables	1,129	504,304	505,433	82,433
Other Receivables				
Affiliated companies		55,482	55,482	
Others	14,467	66,813	81,280	10,183
Total Other Receivables	14,467	122,295	136,762	10,183

V. FINANCIAL LIABILITIES

(FRF thousands)

1 <
MATURITY MATURITY MATURITY

	DATE < 1 YEAR	DATE < 5 YEARS	DATE > 5 YEARS	TOTAL
Medium-Term Loans	64,000	780,000		844,000
Other Loans	16,874	3,051	9,300	29,225
Total	<u>80,874</u>	<u>783,051</u>	<u>9,300</u>	<u>873,225</u>

VI. INCOME STATEMENT (SPECIAL FORMAT)

(FRF thousands)

	12/31/98	12/31/97
Production Sold	955,349	1,205,713
Change in inventory of finished goods & WIP	32,355	(23,994)
Self-created fixed assets	75,971	13,256
Total Production:	<u>1,063,675</u>	<u>1,194,975</u>
Purchases adj. for changes in inventories	(878,092)	(896,643)
Other external charges	(149,478)	(109,307)
Change in provision for losses	(11,929)	(6,744)
Value Added:	<u>24,176</u>	<u>182,281</u>
Operating subsidies	2,114	2,886
Taxes and assimilated payments	(19,414)	(23,763)
Payroll charges	(277,028)	(308,040)
Operating Cash Flow:	<u>(270,152)</u>	<u>(146,636)</u>
Depreciation and amortization charges	(100,308)	(66,958)
Change in provision on current assets	(21,295)	(22,698)
Change in contingency provision	(4,733)	(4,004)
Other revenues	2,483	11,820
Other charges	(6,156)	(8,185)
Operating Income:	<u>(400,161)</u>	<u>(236,661)</u>
Share of income from joint ventures	0	4,378
Financial income	23,724	51,426
Financial charges	(62,411)	(47,925)
Current Income:	<u>(438,848)</u>	<u>(228,782)</u>
"Exceptional" revenue	(141,168)	265,022
"Exceptional" charges	(7,478)	(58,845)
Income Before Tax:	<u>(587,494)</u>	<u>(22,605)</u>
Corporate income tax	5,999	8,670
Income on disposal of fixed asset items	7	(105,734)
Net Accounting Income:	<u>(581,488)</u>	<u>(119,669)</u>

VII. TABLE OF OFF BALANCE SHEET COMMITMENTS

(FRF thousands)

TYPE OF COMMITMENT	TOTAL	AFFILIATED COMPANIES	OTHERS
Commitments given			
Commercial guarantees provided by banks and other institutions	94,643		94,643
Lease purchase commitments	2,663		2,663
Total	<u>97,306</u>		<u>97,306</u>
Commitments received			
Guarantees received from suppliers	5,679		5,679

Guarantees on lines of credit	800,000	800,000	
Total	<u>805,679</u>	<u>800,000</u>	<u>5,679</u>
Reciprocal commitments			
Sale of foreign currency futures	174,278		174,278
Purchase of foreign currency futures	102,657		102,657
Total	<u>276,935</u>		<u>276,935</u>

*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>

		1994	1995	1996
1997	1998			
<S>		<C>	<C>	<C>
<C>	<C>			

1. Financial Situation at Period End

a. Share capital		150,000,000	150,000,000	
150,000,000	753,556,800	500,000,000		
b. Number of existing ordinary shares		1,500,000	1,500,000	
1,500,000	7,535,568	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		1,012,128,978	1,085,450,627	
1,191,058,795	1,205,712,690	955,348,271		
b. Income before tax, *depreciation & provisions		(79,253,376)	257,827,072	
17,971,164	(74,413,761)	(297,331,650)		
c. Income tax		100,000	100,000	
100,000	100,000	150,000		
d. Income after tax, depreciation & provisions		(66,662,423)	25,686,089	
10,356,903	(119,669,536)	(581,488,331)		
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		(52.90)	171.82	11.91
(9.89)	(59.50)			
b. Income after tax, depreciation and provisions		(44.44)	17.12	6.90
(15.88)	(116.30)			
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		998	669	
727	1,049	1,004		
b. Payroll		196,404,316	144,694,599	
133,506,549	221,238,494	198,983,384		
c. Social charges & assimilated amounts (social security, & social works), etc.		75,940,353	60,054,014	
60,484,248	90,707,469	83,418,514		

*Income before tax, depreciation, provisions and cancellation of receivables (79,253,376) 257,827,072

17,971,164 (74,413,761) (297,331,650)

</TABLE>

<TABLE>

IX - INFORMATION ON PURCHASE LEASE

AGREEMENTS AS OF 12/31/98

(FRF thousands)

<CAPTION>

BALANCE SHEET

LEASED FIXED ASSETS
INCLUDING LEASED FIXED ASSETS

			INITIAL	DEPRECIATION CHARGES		
GROSS	BALANCE SHEET ITEM	DEPRECIATION	COST (1)	OF PERIOD (2)	ACCUMULATED (2)	NET VALUE
VALUE		NET VALUE				
<S>			<C>	<C>	<C>	<C>
<C>	<C>	<C>				
Land		925				
Buildings		3,545	142	1,135	2,410	
153,415	63,968	89,447				
Technical plant, equipment and machinery		426,221	224,773	201,448		
Other fixed assets		39,123	24,756	14,367		
Fixed assets in-progress		34,018	34,018			
Adv & down payments on orders		124	124			
TOTALS		653,826	313,497	340,329	3,545	142
					1,135	2,410

(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	
			RESIDUAL			
			OF THE		1 TO 5	
> 5	BALANCE SHEET ITEM	PURCHASE	PERIOD	ACCUMULATED	< 1 YEAR	YEARS
YEARS	TOTAL DUE	PRICE (1)				
<S>			<C>	<C>	<C>	<C>
<C>	<C>	<C>				
Land						
Buildings		367	3,069	367	1,774	
396	2,537	126				
Technical plant, equipment and machinery						
Other fixed assets						
Fixed assets in-progress						
TOTALS		367	3,069	367	1,774	

(1) According to the contract.
</TABLE>

<TABLE>

X - INFORMATION RELATING TO SUBSIDIARIES

AND EQUITY INTEREST

(FRF thousands)

<CAPTION>										LOANS
AND	AMOUNT OF									
ADVANCES	DEPOSITS/			DIVIDENDS		ACCOUNTING VALUE				
GRANTED BY	GUARANTEES	1998		OTHER	SHARE OF	OF SHARES	HELD			CW
NOT YET	PROVIDED	REVENUES	INCOME	RECEIVED	CAPITAL	HELD (%)	GROSS	NET		PAID
BACK	BY CW	CAPITAL	CAPITAL	BY CW	HELD (%)					
		(EXCL.TAXES)	1998	In 1998						
<S>		<C>	<C>	<C>	<C>	<C>	<C>	<C>		<C>
<C>	<C>	<C>	<C>							

A. Detailed information on equity interests

1) Subsidiary (at least 50% of capital held)

Cummins Wartsila ACO	1,446,000	940,215	99.99	3,071,100	2,050,426
1,553,577	0	14,646,281	168,953	0	
Cummins Wartsila West Africa	100,000	(430,524)	100.00	100,000	100,000
300,000	0	11,144,795	434,252	0	
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	9,550,000	0	0 (1)	3,378,255	0
b) Foreign subsidiaries	0	0			0

2) Equity interests not covered in paragraph A

a) in French companies	0	0 (2)		25,000	0
b) in Foreign companies	0	0			0

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

</TABLE>

<TABLE>

XI. DEFERRED AND CONTINGENT TAX

LIABILITY

(FRF thousands)

<CAPTION>

period Situation at the beginning of the Movements of the period

		Amount of		Deferred taxation		
Contingent taxation		Item		Receivables	Liabilities	
Receivables	Liabilities	Increase	Decrease			
<S>			<C>	<C>	<C>	<C>
<C>	<C>	<C>				
Long-term capital gain taxed at 10% 128			450			
Long-term capital gain taxed at 15% 481			2,029			
Long-term capital gain taxed at 19% 94			488			
Long-term capital losses 22,137			60,368			
Loss carry-forwards 170,149			15,857	56,970		
Deferred depreciation 77,700			153,341	56,230		
Provision for paid leave 613			15,877	5,822		
Provision for exchange rate losses 3,688			5,406	1,982		
Contingent tax liability (FRF): 775			2,010	737		
Provision for retirement indemnities Amortization of goodwill 2,339			40,672	14,914		
		638	23,661			
Total			442,379	136,655		
24,476	703	252,175	40,906			
Balance of deferred taxation				136,655		
Balance of contingent taxation						
23,773						

</TABLE>

<TABLE>
<CAPTION>

Situation at the end of the
period

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

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	1,192		1,192
Trade receivables and assimilated accounts	177,702	6,877	170,825
Other receivables	55,482		55,482
2 - LIABILITIES			
Equity loan			
Other cash advances			587
Other loans			406
Advances on orders-in-progress			20,093
Trade payables and assimilated accounts			85,206
Other liabilities			5,095
Financial revenue			
Financial charges			8,872

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>

VENISSIEUX	GEMENOS	UK	MULHOUSE TOTAL	SURGERES	NEUILLY	COURBEVOIE	
<S>			<C>	<C>	<C>	<C>	<C>
<C>	<C>	<C>					
Workers			217	48			
265							
Fitters			35	13		4	
52							
Middle Management			268	138		10	9
4		429					
Executives			174	58		6	2
1		241					
Apprentices							
UK							
17	17						

12/31/98			694	257		20	11
5	17	1,004					
12/31/97			782	221	1	21	12
6	6	1,049					

</TABLE>

XIV RECONCILIATION TO US GAAP

In accordance with requests from Cummins Group, a reconciliation to US GAAP is presented below:

XIV.1 Reconciliation of net result

	Note	FRF `000 1998
Net statutory result		(581,488)
Deferred taxation	XIV.3	28,502
Assets not capitalized in US GAAP	XIV.4a	1,114
Adjustment of depreciation period: equipment	XIV.4b	1,355
R&D costs capitalized in French accounts	XIV.4c	(4,516)
R&D costs `know how' capitalized in French Accounts	XIV.4c	(42,963)
Expenses spread for tax purposes	XIV.4e	(4,613)
Unrealized exchange gains	XIV.5	(4,030)
Net result US GAAP		<u>(606,639)</u>

XIV.2 Reconciliation of equity

	Note	FRF `000 1998
Net equity statutory		73,544
Deferred taxation	XIV.3	84,561
Assets not capitalized in US GAAP	XIV.4a	(3,876)
Adjustment of depreciation period: equipment	XIV.4b	6,292
R&D costs capitalized in French accounts	XIV.4c	(5,016)
R&D costs `know how' capitalized in French Accounts	XIV.4c	(390,046)
Expenses spread for tax purposes	XIV.4e	(4,613)
Unrealized exchange gains	XIV.5	2,596
Net equity US GAAP		<u>(236,558)</u>

XIV.3 Deferred taxation

In accordance with french accounting regulation, no deferred taxation has been recognised in French accounts.

In US GAAP, only tax losses carried forward having no expiry date have been capitalized using the enacted tax rate (36.6%)

XIV.4 Adjustment on assets

In accordance with accounting policies used in the Cummins Group, adjustments have been made on fixed assets to revise the economic useful lives of some significant assets.

Most significant adjustments are as follows:

- a) Some assets, having a net book value of KFF 3,876 should have been expensed upon purchase in accordance with Group accounting policy. Net assets and net profit (depreciation charge) are adjusted accordingly.
- b) Some equipment are depreciated in statutory accounts over a 10 year period (tax rates). Economic useful lives of these assets have been estimated by management to be 20 years. Net assets and net profit (depreciation charge) are adjusted accordingly.
- c) Research and development should be expensed as incurred. For tax purposes, and in accordance with French accounting rules, such costs can be capitalised under some circumstances and amortized. The R&D

expenses of Cummins Wartsila have been reversed back to P/L.

- d) For tax purposes, some expenses can be capitalised and amortized over a maximum of 5 years. All these expenses have been reversed back to P/L.

No deferred taxation is recorded on these items due to immateriality.

XIV.5. Unrealized exchange gains

In accordance with French regulation, unrealized exchange gains are kept in the balance sheet while unrealized exchange losses are provided for. In accordance with US GAAP, assets and liabilities are valued at market value using year-end exchange rates. Unrealized exchange gains or losses are recorded as profit or losses.

XIV.6 Statement of comprehensive income

	1998
Net income (US GAAP)	(606,639)
Foreign currency translation adjustments, net of nil deferred taxation	(15,865)
Comprehensive income (US GAAP)	(622,504)

XIV.7 Cash flow statement (US GAAP)

In accordance with French accounting regulation, no cash flows statement needs to be presented. The cash flow for Cummins Wartsila in 1998 is as follows:

	Year Ended December 31, 1998
Operating activities	
Net loss (US GAAP)	(606,639)
Depreciation & amortization of property, plant and equipment (US GAAP)	68,693
Change in provisions (except restructuring)	(63)
Provision for restructuring	176,800
Other non cash profits	4,531
Increase (decrease) in cash from:	
accounts receivable and other assets	(119,764)
inventories	(21,065)
accounts payable and accruals	38,571
Net cash used in operating activities	(458,936)
Investing activities	
Purchase of property, plant and equipment	(75,086)
Net cash used in investing activities	(75,086)
Financing activities	
Change in interest bearing current accounts	(286,799)
Change in long term debt (external)	769,333
Net cash from financing activities	482,534
Effect of exchange rate on cash and cash equivalent	1,502
Net increase (decrease) in cash and cash equivalent	(49,986)
Cash and cash equivalent, beginning of period	65,666
Cash and cash equivalent, end of period	15,680

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
Vice President and Chief
Financial Officer

By /s/R. J. Mills

R. J. Mills
Vice President -
Corporate Controller

(Principal Financial
Officer)

(Principal Accounting
Officer)

Date: June 30, 1999