UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

CUMMINS ENGINE COMPANY, INC.

For the Quarter Ended September 26, 1999   Commission File Number 1-4949

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

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

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

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the proceeding 12 months and (2) has been subject to such filing requirements for the past 90 days:

Yes [x]
No [ ]

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

As of September 26, 1999, the number of shares outstanding of the registrant's only class of common stock was 41.4 million.

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CUMMINS ENGINE COMPANY, INC.
CONSOLIDATED STATEMENT OF EARNINGS
FOR THE THIRD QUARTER AND NINE MONTHS
ENDED SEPTEMBER 26, 1999 AND SEPTEMBER 27, 1998

Unaudited

Millions, except per share amounts	Third Quarter 1999	Third Quarter 1998	Nine Months 1999	Nine Months 1998
Net sales	$1,631	$1,525	$4,803	$4,660
Cost of goods sold	1,270	1,218	3,770	3,644
Special charges	-	49	-	92
Gross profit	361	258	1,033	924
Selling and administrative expenses	192	191	570	592
Research and engineering expenses	67	61	181	193
Net expense from joint ventures and alliances	8	8	20	18
Interest expense	18	17	56	52
Other expense (income), net	3	(1)	13	(8)
Restructuring and other non-recurring charges	-	125	-	125
Earnings (loss) before income taxes	73	(143)	193	(48)
Provision (benefit) for income taxes	19	(35)	54	(7)
Minority interest	1	2	4	9
Net earnings (loss)	$ 53	$ (110)	$ 135	$ (50)
Basic earnings (loss) per share	$ 1.37	$(2.86)	$ 3.50	$ (1.30)
Diluted earnings (loss) per share	1.35	(2.86)	3.48	(1.30)
Cash dividends declared per share	$ .275	$ .275	$ .825	$ .825

CUMMINS ENGINE COMPANY, INC.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Unaudited

Millions, except per share amounts	9/26/99	12/31/98
Assets		
Current assets:		
Cash and cash equivalents	$ 60	$ 38
Receivables, net of allowances of $14 & $12	1,104	833
Inventories	799	731
Other current assets	279	274
	2,242	1,876
Investments and other assets	289	280
Property, plant and equipment, net of accumulated depreciation of $1,504 & $1,424	1,616	1,671
Goodwill, net of amortization of $27 and $17	377	384
Other intangibles, deferred taxes and deferred charges	354	331
Total assets	$4,878	$4,542
Liabilities and shareholders' investment		
Current liabilities:		
Loans payable	$ 90	$ 64
Current maturities of long-term debt	24	26
Accounts payable	453	340
Other current liabilities	728	641

	1,295	1,071
Long-term debt	1,166	1,137
Other liabilities	1,003	1,000
Minority interest	72	62
Shareholders' investment:		
Common stock, $2.50 par value, 48.1 and 48.1 shares issued	120	120
Additional contributed capital	1,118	1,121
Retained earnings	748	648
Accumulated other comprehensive income	(174)	(167)
Common stock in treasury, at cost, 6.7 & 6.1 shares	(270)	(240)
Common stock held in trust for employee benefit plans, 3.4 and 3.6 shares	(165)	(172)
Unearned compensation (ESOP)	(35)	(38)
	1,342	1,272
Total liabilities & shareholders' investment	$4,878	$4,542

CUMMINS ENGINE COMPANY, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS

Unaudited

Millions	Nine Months Ended 9/26/99	9/27/98
Cash flows from operating activities:		
Net earnings (loss)	$ 135	$(50)
Adjustments to reconcile net earnings (loss) to net cash from operating activities:		
Depreciation and amortization	172	148
Restructuring & other non-recurring actions	(23)	121
Accounts receivable	(277)	(118)
Inventories	(70)	(79)
Accounts payable and accrued expenses	216	155
Income taxes payable	12	(55)
Equity in (earnings) losses of joint ventures and alliances	24	24
Other	(19)	18
Total adjustments	35	214
Net cash provided by operating activities	170	164
Cash flows from investing activities:		
Property, plant and equipment:		
Additions	(121)	(199)
Disposals	27	3
Investments in joint ventures & alliances	(40)	(21)
Acquisition and disposition of businesses	3	(467)
Other	6	2
Net cash used in investing activities	(125)	(682)
Net cash flows provided by (used in) operating and investing activities	45	(518)
Cash flows from financing activities:		
Proceeds from borrowings	53	711
Payments on borrowings	(26)	(83)
Net payments under short-term credit agreements	26	(55)
Repurchase of common stock	(30)	(11)
Dividend payments	(35)	(35)
Other	(11)	6
Net cash (used in) provided by financing activities	(23)	533
Effect of exchange rate changes on cash	-	(1)
Net change in cash and cash equivalents	22	14

Cash & cash equivalents at the beginning of year	38	49
Cash & cash equivalents at the end of quarter	$ 60	$ 63

CUMMINS ENGINE COMPANY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

Note 1. Accounting Policies: The Consolidated Financial Statements for the interim periods ended September 26, 1999 and September 27, 1998 have been prepared in accordance with the accounting policies described in the Company's Annual Report to Shareholders and Form 10-K. Management believes the statements include all adjustments of a normal recurring nature necessary to present fairly the results of operations for the interim periods. Inventory values at interim reporting dates are based upon estimates of the annual adjustments for taking physical inventory and for the change in cost of LIFO inventories.

Note 2. Acquisition: In January 1998, Cummins 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. 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 the third quarter of 1998, the Company recorded a special charge of $35 million related to a revised estimate of product coverage cost liability primarily for extended warranty programs. The third quarter special charge also included $14 million for inventory write-downs associated with the Company's restructuring and exit activities. This write-down relates to amounts of inventory rendered excess or unusable due to the closing or consolidation of facilities. The Company has committed to these facility closures and consolidations as part of a plan to reduce costs and improve operating performance.

In the first quarter of 1998, the Company recorded a special charge for product coverage expense primarily attributable to the recent experience of higher-than-anticipated costs to repair certain automotive engines manufactured in previous years. The Company believes it was necessary to make a special charge of $43 million pre-tax to accrue for such product coverage costs expected to be incurred in the future on these engines currently in the field.

Note 4. Income Taxes: Income tax expense is reported during the interim reporting periods on the basis of the estimated annual effective tax rate for the taxable jurisdictions in which the Company operates.

Note 5. Long-term Debt: In February 1998, the Company issued $765 million face amount of notes and debentures. Net proceeds were used to finance the acquisition of Nelson and pay down other indebtedness outstanding at December 31, 1997.

Note 6. Comprehensive Income: Comprehensive income, which includes net income and all other nonowner changes in equity during a period, is as follows:

	Third Quarter Ended		Nine Months Ended	
Millions	9/26/99	9/27/98	9/26/99	9/27/98
Net income (loss)	$ 53	$(110)	$135	$(50)
Unrealized gain (loss) on securities, net of tax	1	-	2	(1)
Translation adjustment, net of tax	(2)	3	(9)	(49)
Comprehensive income	$ 52	$(107)	$128	$(100)

Note 7. Earnings per Share: Basic earnings per share of common stock are computed by dividing net earnings by the weighted-average number of common shares outstanding during 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. 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	Third Quarter Net Earnings	Weighted Average Shares	Per-Share Amount	Nine Months Net Earnings	Weighted Average Shares	Per-Share Amount
1999						
Basic	$ 53	38.3	$ 1.37	$135	38.4	$3.50
Options	-	.6		-	.4	
Diluted	$ 53	38.9	$ 1.35	$135	38.8	$3.48
1998						
Basic	$(110)	38.5	$(2.86)	$(50)	38.5	$(1.30)
Options	-	-		-	-	
Diluted	$(110)	38.5	$(2.86)	$(50)	38.5	$(1.30)

Note 8. Restructuring and Other Non-Recurring Charges: 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.

The Company is continuing the restructuring plan implemented in the third quarter of 1998. As of September 26, 1999, approximately $66 million has been charged against the liabilities associated with these actions. 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	Q1 1999	Q2 1999	Q3 1999	Balance 9/26/99
Restructuring of majority-owned operations:						
Workforce reductions	$ 38	$(12)	$(5)	$(5)	$(2)	$14
Asset impairment loss	22	-	(1)	(4)	(2)	15
Facility consolidations and other	17	(8)	(2)	-	-	7
	77	(20)	(8)	(9)	(4)	36
Restructuring of joint venture operations:						
Workforce reductions	11	-	-	(2)	(2)	7
Tax asset impairment loss	7	-	-	(7)	-	-
Facility and equipment-related costs	5	-	-	-	-	5
	23	-	-	(9)	(2)	12
Inventory write-downs associated with exit activities	14	(5)	(4)	(5)	-	-
Total	$114	$(25)	$(12)	$(23)	$(6)	$48

Note 9. Segment Information: Operating segment information is as follows:

Millions	Engine	Power Generation	Filtration And Other	Total
Third Quarter Ended Sept. 26, 1999				
Net sales	$1,032	$352	$247	$1,631
Earnings before interest and				

income taxes	45	15	31	91
Net assets	996	557	830	2,383
Third Quarter Ended Sept. 27, 1998				
Net sales	$ 978	$296	$251	$1,525
Earnings before interest, income taxes and special charges	13	5	30	48
Special charges	122	50	2	174
Earnings (loss) before interest and income taxes	(109)	(45)	28	(126)
Net assets	1,047	528	811	2,386
Nine Months Ended Sept. 26, 1999				
Net sales	$3,127	$908	$768	$4,803
Earnings before interest and income taxes	131	28	90	249
Nine Months Ended Sept. 27, 1998				
Net sales	$2,980	$900	$780	$4,660
Earnings before interest, income taxes and special charges	117	17	87	221
Special charges	165	50	2	217
Earnings (loss) before interest and income taxes	(48)	(33)	85	4

Reconciliation to Consolidated Financial Statements:

Millions	Third Quarter Ended 9/26/99	9/27/98	Nine Months Ended 9/26/99	9/27/98
Earnings (loss) before interest and income taxes for reportable segments	$ 91	$ (126)	$249	$ 4
Interest expense	18	17	56	52
Earnings (loss) before income taxes	$ 73	$ (143)	$193	$(48)
Net assets for reportable segments	$2,383	$2,386		
Liabilities deducted in arriving at net assets	2,139	1,824		
Deferred tax assets not allocated to segments	334	296		
Debt-related costs not allocated to to segments	22	22		
Total assets	$4,878	$4,528		

CUMMINS ENGINE COMPANY, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS, CASH FLOW AND FINANCIAL CONDITION

Overview

Net sales were $1.63 billion in the third quarter of 1999, 7 percent higher than the third quarter of 1998. Earnings before interest and taxes in the third quarter of 1999 were $91 million or 5.6 percent of sales. Net earnings were $53 million or $1.35 per share compared to a loss of $110 million or $(2.86) per share in the third quarter of 1998, including special charges of $174 million pretax. Net earnings for the first nine months of 1999 were $135 million or $3.48 per share compared to a loss of $50 million or $(1.30) per share in the first nine months of 1998, including special charges of $217 million pretax recorded in the first and third quarters of 1998.

Results of Operations

Net Sales:

Revenues from sales of engines were 54 percent of the Company's net sales in the third quarter of 1999, with engine revenues 7 percent higher than third-quarter 1998 and unit shipments 2 percent higher. Revenue increased more than unit shipments due to higher heavy-duty engine sales, primarily in the North American heavy-duty truck market.

Unit Shipments	Third Quarter 1999	Third Quarter 1998	Nine Months 1999	Nine Months 1998
Midrange Engines	68,400	71,300	218,700	213,600
Heavy-duty Engines	30,500	25,500	87,900	79,800
High-horsepower Engines	2,500	2,400	6,700	7,300
	101,400	99,200	313,300	300,700

Revenues from non-engine products, which were 46 percent of net sales in the third quarter of 1999, were 7 percent higher than the third quarter of 1998.

The Company's sales for each of its key businesses during the comparative periods were:

$ Millions	Third Quarter 1999	Third Quarter 1998	Nine Months 1999	Nine Months 1998
Automotive markets	$ 792	$ 733	$2,372	$2,172
Industrial markets	240	245	755	808
Engine Business	1,032	978	3,127	2,980
Power Generation Business	352	296	908	900
Filtration Business and Other	247	251	768	780
	$1,631	$1,525	$4,803	$4,660

In the third quarter of 1999, engine business revenues of $1.0 billion increased 6 percent as compared to the third quarter of 1998, primarily due to the strength of the North American automotive market.

Sales of $792 million in the third quarter of 1999 for automotive markets were 8 percent higher than the third quarter of 1998. Heavy-duty truck revenues increased 20 percent from the third quarter of 1998 due to the strong market in North America, partially offset by reduced demand in Mexican automotive markets.

Medium-duty truck revenues in the third quarter of 1999 were $121 million, a 14-percent decrease from the third quarter of 1998. Revenues from the sales of engines for medium-duty trucks in the third quarter of 1999 were 14 percent lower than the prior year's quarter on a 6-percent decrease in units. This variance was primarily a result of the devaluation of the Brazilian Real, which significantly reduced revenues in this market as compared to the year-ago quarter. In North America, unit shipments were 19 percent lower than the third quarter of 1998, partially offset by a 9-percent increase in international shipments.

Revenues of the bus and light commercial vehicle market were flat with the third quarter of 1998. In the third quarter of 1999, Cummins shipped 23,000 engines to DaimlerChrysler, 7 percent lower than the third-quarter 1998 level. The decrease in sales to DaimlerChrysler was offset by record shipments to the North American bus and recreational vehicle market, where volumes were 36 percent higher than the year-ago quarter. Shipments for international bus markets declined 19 percent from the third quarter of 1998, due to lower sales into Mexico.

Sales to industrial markets were 2 percent lower than the third quarter of 1998, due to decreased volume and a shift in product mix. Engine revenues for this market were down 4 percent on a 10-percent decrease in units. Agricultural equipment demand decreased 43 percent compared to third quarter 1998, and construction equipment business declined 2 percent from the prior year's quarter. Sales to marine markets increased 28 percent from third quarter 1998, with a shift to more mid-range engines in recreational applications. Mining market sales were flat with the third quarter of 1998.

In the third quarter of 1999, sales for the Company's power generation business increased 19 percent compared to third quarter 1998. Sales of the Company's generator sets were 33 percent above third quarter last year with increased sales in North America, Mexico and Europe. Engine and alternator sales to generator set assemblers increased 7 percent from the third quarter of 1998. Generator set sales for the recreational vehicle market in North America continued to be strong, with revenues 8 percent above the year-ago quarter.

Filtration business and other sales were $247 million in the third quarter of 1999, a decrease of 2 percent from the third quarter of 1998. Within the filtration business, sales were flat with the year-ago quarter, with the global decline in agricultural equipment sales being offset by new business gained in North American and international truck markets and sales to small-equipment original equipment manufacturers. Sales of international company-owned distributors included in this segment reflected modest declines compared to the third quarter of 1998.

In total, international markets represented 38 percent of the Company's revenues in the third quarter of 1999. Sales to Europe and the CIS, representing 11 percent of the Company's sales in the third quarter of 1999, were flat with the prior year's quarter. Business in Mexico, Brazil and Latin America represented 6 percent of sales in the third quarter of 1999, with revenues 16 percent below the year-ago levels. Asia and Australian markets, in total, represented 13 percent of sales in the third quarter of 1999, with revenues 9 percent higher than the prior year's quarter. Sales to Canada, representing 6 percent of sales in the third quarter of 1999, were flat with the third quarter of 1998.

Gross Margin:

The Company's gross margin percentage was 22.1 percent in the third quarter of 1999, compared to 20.1 percent in the prior year's quarter excluding the special charges for product coverage and inventory write-downs. Gross margin percentage including the special charges was 16.9 percent in the third quarter of 1998. The increased margin in 1999 was primarily due to lower product coverage costs, a shift in product mix to higher margin heavy-duty and high-horsepower engines and product cost improvements. For the first nine months of 1999, gross margin percentage was 21.5 percent, as compared to 21.8 percent in the first nine months of 1998 excluding the special charges recorded for product coverage and inventory write-downs. Gross margin percentage including the special charges was 19.8 percent in the first nine months of 1998.

Operating Expenses:

Selling and administrative expenses as a percent of sales were 11.8 percent in the third quarter of 1999, compared to 12.5 percent in the third quarter of 1998, with total spending remaining essentially flat on a 7-percent higher sales level. Research and engineering expenses increased from 4.0 percent of sales in the third quarter of 1998 to 4.1 percent in the third quarter of 1999. This increase reflects a catch-up from the low level of spending in the first half of 1999. Research and engineering expenses as a percent of sales for the first nine months were 3.8 percent for 1999 as compared to 4.1 percent for 1998.

The Company is continuing the restructuring plan implemented in the third quarter of 1998. As of September 26, 1999, approximately $66 million has been charged against the liabilities associated with these actions. The Company does not currently anticipate any material changes in the original charges recorded for these actions.

The Company's losses from joint ventures and alliances were $8 million in the third quarter of 1999, equal to the third quarter of 1998, primarily due to losses at the Company's joint venture with Wartsila.

Other:

Interest expense was $18 million in the third quarter of 1999, compared to $17 million in the prior year's quarter. Other expense increased $4 million from the third quarter of 1998, with the variance resulting primarily from lower interest income and certain tax refunds recorded in the prior year.

Provision for Income Taxes:

In the third quarter, the estimated effective tax rate for 1999 was reduced to 28 percent for the year. The Company's tax rate for the third quarter was 26 percent to reflect the year-to-date adjustment to the lower 1999 effective tax rate.

Year 2000:

The Company experienced no issues on the 9-9-99-date horizon. Preparation for Year 2000 continues to be a priority for Cummins into and after January 1, 2000. While the Company substantially met its goal of Year 2000 readiness by June 30, 1999, a few outstanding issues remain. Plans to resolve such issues are addressed below.

The Company's Year 2000 program is a centrally coordinated, enterprise-wide effort which is carried out by the Company's Year 2000 Program Office under the leadership of the Director of the Year 2000 Program. The Year 2000 program is implemented at each of the Company's facilities and is overseen by a Year 2000 coordinator assigned to each site. The Company's Year 2000 Program Office monitors the progress and compliance of its facilities through audits and reports by the Year 2000 coordinators. In addition to internal resources, the Company continues to retain external resources to assist with its Year 2000 program. The Company believes that it is taking full advantage of its internal resources and all necessary external resources to understand, identify and correct all Year 2000 issues within its control.

The Company's Year 2000 program involves:
1) mainframe (legacy systems); 2) distributed computing (includes manufacturing and warehousing systems, end user computing, facility systems, laboratory equipment, technical infrastructure and remote business systems); 3) products; 4) suppliers; 5) business readiness and contingency planning; and 6) communication. The general phases of the program are: a) inventory; b) analyze and prioritize; c) determine compliance; d) remediate, replace or retire and e) test, implement, audit and maintain.

Mainframe, Distributed Computing:
The Company completed the inventory, analysis and prioritization phases of its mainframe and distributed computing in 1998. The inventory process led to the packaging of mainframe programs into remediation groups to facilitate testing. Testing began in 1998 and will continue through 1999. Quality assurance checks resulted in the review, repair, testing and re-installation of some programs. Tests of software applications using the 9-9-99 and 1-1-2000 dates were successfully executed. Some outstanding issues remain. About 5 of the Company's 142 sites continue to address Year 2000 issues. One issue involves the "ALPS" (Aftermarket Logistics and Planning System) software program used by the Company's aftermarket and distributor locations. The outstanding issues are known and monitored. The remainder of the year will be used to address these and any other outstanding issues that emerge, and also to complete related contingency plans. The Company will use its best efforts to ensure that any outstanding Year 2000 item will be completed before the end of 1999.

Products:
During the first quarter of 1999, the Company announced that its commercial products met the Company's Year 2000 compliance standards. A posting on the Company's Internet website provides this information to customers and other stakeholders.

Suppliers:
The greatest area of potential risk is the supply chain. This is particularly true because the Company utilizes global, sole suppliers for certain critical components used in the manufacture of the Company's products. The high level of skill and expertise required to develop certain components makes it impractical and sometimes impossible to change such suppliers quickly. The failure of a sole supplier may lead to a delay in production and/or business interruption. To mitigate this potential risk, the Company initiated a global effort in 1997 to evaluate its business critical suppliers. The Company continues its efforts to review the Year 2000 readiness of key suppliers through a formal program of prioritization and communication using questionnaires and/or follow up contacts, as appropriate. To further the Company's efforts with suppliers, the Company continues to be a member of the Automotive Industry Action Group (AIAG). The Company completed the identification of high-risk suppliers in April 1999 and has continued to update this information as additional AIAG surveys are completed. Using survey data and other input where required, the Company has developed contingency plans for suppliers that have been identified as "high-risk." The Company's plants are also developing site-specific contingency plans for critical suppliers.

Business Readiness and Contingency Planning (BRCP):
As previously stated, the Company believes that its "reasonably likely worst case scenarios" may involve the failure of third parties with whom the Company does business to address Year 2000 issues. As a result, the Company is taking steps to minimize the impact of its exposure to Year 2000 risks outside its control. The objective of our BRCP is to assure that the Company retains the ability to sustain acceptable operations despite the Year 2000 failures of third parties or failures induced by them. The process for BRCP is process design, business impact analysis, contingency planning and auditing, testing and monitoring. Our model is consistent with the recommendations of the U.S. General Accounting Office. In the following months, the Company will finalize its business readiness and contingency planning to address possible external Year 2000 problems. A significant part of

this effort has been the evaluation of the risk to the Company's operations from external sources, and the development of strategies to manage those risks. The Company's efforts in this regard include identifying alternate suppliers, setting up work-arounds and adjusting inventory levels. The Company's contingency planning also covers the identification and evaluation of risk areas at the Company's international locations and international independent distributors, particularly at countries that have been identified as behind in their Year 2000 readiness efforts. The Company is providing information on country and industry risk to its international locations, and is also considering country risk in the development of its contingency plans. Contingency plans will also address any potential internal issues that may arise.

Communication:
The Company continues to receive and respond to customer inquiries regarding the general Year 2000 readiness of the Company, and the Year 2000 compliance of the Company's commercial products. The inquiries and responses take the form of telephone calls, written communication and electronic mail. For the convenience of its customers, the Company maintains a Year 2000 Internet website at www.cummins.com/custasis/y2k.html. The Company's product compliance information is also included on that website. The Company also maintains an Intranet Year 2000 website for the use of its employees.

Costs of Company's Year 2000 issues:
The Company expects to 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 cash flows from operations. To date, the Company has incurred $42 million in costs relating to its Year 2000 efforts. The Company has forecasted a temporary increase in inventory levels per year-end contingency plans for high-risk suppliers.

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, will be 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 estimated time of completion and success of the Company's Year 2000 program and compliance efforts, and the expenses related to the Company's Year 2000 compliance efforts are based upon management's best estimates, which were based on assumptions of 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	Nine Months 1999	Nine Months 1998
Net cash provided by operating activities	$ 170	$ 164
Net cash used in investing activities	(125)	(682)
Net cash (used in) provided by financing activities	(23)	533
Effect of exchange rate changes on cash	-	(1)
Net change in cash and cash equivalents	$ 22	$ 14

In the first nine months of 1999, net cash provided by operating activities was $170 million. The high level of net cash requirements for investing activities in the first nine months of 1998 was due primarily to the acquisition of Nelson and planned capital expenditures of $199 million. In the first quarter of 1998, the Company issued $765 million face amount of notes and debentures to support working capital and to complete the acquisition of Nelson.

FORWARD-LOOKING STATEMENTS

When used herein, the terms "expect, plan, anticipate, believe" or similar expressions, as they relate to the Company or its management, are intended to identify forward-looking statements.

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

PART II. OTHER INFORMATION

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

(a) See the Index to Exhibits on page 15 for a list of exhibits filed herewith.

(b) The Company was not required to file a Form 8-K during the third quarter of 1999.

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CUMMINS ENGINE COMPANY, INC.

By: /s/Rick J. Mills

Rick J. Mills
Vice President - Corporate Controller
(Chief Accounting Officer) October 28, 1999

CUMMINS ENGINE COMPANY, INC.

INDEX TO EXHIBITS

27 Financial Data Schedule (filed herewith)

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<CGS>		3,770
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