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CUMMINS ENGINE COMPANY, INC., AND SUBSIDIARIES
 CONSOLIDATED STATEMENT OF EARNINGS
 Unaudited
 (Millions, Except per Share Amounts)

~~~~~

|                                      | First Quarter Ended |           |
|--------------------------------------|---------------------|-----------|
|                                      | 4/3/94              | 4/4/93    |
|                                      | ~~~~~               | ~~~~~     |
| NET SALES                            | \$1,099.2           | \$1,048.4 |
| Cost of goods sold                   | 828.6               | 797.4     |
|                                      | ~~~~~               | ~~~~~     |
| GROSS PROFIT                         | 270.6               | 251.0     |
| Selling & administrative expenses    | 148.6               | 140.6     |
| Research & engineering expenses      | 54.0                | 49.6      |
| Interest expense                     | 4.5                 | 9.6       |
| Other expense                        | -                   | 3.4       |
|                                      | ~~~~~               | ~~~~~     |
| Earnings before income taxes         | 63.5                | 47.8      |
| Provision for income taxes           | 8.9                 | 6.7       |
|                                      | ~~~~~               | ~~~~~     |
| NET EARNINGS                         | 54.6                | 41.1      |
| Preference stock dividends           | -                   | 2.1       |
|                                      | ~~~~~               | ~~~~~     |
| EARNINGS AVAILABLE FOR COMMON SHARES | \$ 54.6             | \$ 39.0   |
|                                      | ~~~~~               | ~~~~~     |

|                                          |                  |                  |
|------------------------------------------|------------------|------------------|
| Primary earnings per common share        | ~~~~~<br>\$ 1.35 | ~~~~~<br>\$ 1.12 |
| Fully diluted earnings per common share  | 1.35             | 1.07             |
| Cash dividends declared per common share | .125             | .025             |

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CUMMINS ENGINE COMPANY, INC., AND SUBSIDIARIES  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
Unaudited  
(Millions, Except per Share Amounts)  
~~~~~

	4/3/94 ~~~~~	12/31/93 ~~~~~
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 94.9	\$ 77.3
Receivables less allowances of \$10.0 & \$9.5	472.7	426.3
Inventories	485.6	440.2
Other current assets	131.6	127.9
	~~~~~	~~~~~
	1,184.8	1,071.7
INVESTMENTS AND OTHER ASSETS	200.9	190.7
PROPERTY, PLANT & EQUIPMENT less accumulated depreciation of \$1,250.1 & \$1,222.3	962.6	958.2
INTANGIBLES, DEFERRED TAXES & DEFERRED CHARGES	169.7	170.0
	~~~~~	~~~~~
TOTAL ASSETS	\$2,518.0	\$2,390.6
	~~~~~	~~~~~
LIABILITIES AND SHAREHOLDERS' INVESTMENT		
CURRENT LIABILITIES:		
Loans payable	\$ 37.4	\$ 13.4
Current maturities of long-term debt	32.6	32.6
Accounts payable	284.9	267.5
Other current liabilities	417.7	386.8
	~~~~~	~~~~~
	772.6	700.3
LONG-TERM DEBT	188.3	189.6
	~~~~~	~~~~~
OTHER LIABILITIES	684.1	679.6
	~~~~~	~~~~~
SHAREHOLDERS' INVESTMENT:		
Convertible preference stock, no par value, .2 shares outstanding	-	112.2
Common stock, \$2.50 par value, 43.7 & 40.6 shares issued	109.1	101.5
Additional contributed capital	922.4	822.8
Retained earnings	53.5	4.1
Common stock in treasury, at cost, 2.1 shares	(67.3)	(67.3)
Unearned ESOP compensation	(55.0)	(59.3)
Cumulative translation adjustments	(89.7)	(92.9)
	~~~~~	~~~~~
	873.0	821.1
	~~~~~	~~~~~
TOTAL LIABILITIES & SHAREHOLDERS' INVESTMENT	\$2,518.0	\$2,390.6
	~~~~~	~~~~~

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CUMMINS ENGINE COMPANY, INC., AND SUBSIDIARIES  
CONSOLIDATED STATEMENT OF CASH FLOWS  
Unaudited (Millions)  
~~~~~

First Quarter Ended

| | 4/3/94 | 4/4/93 |
|---|---------|---------|
| | ~~~~~ | ~~~~~ |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net earnings | \$ 54.6 | \$ 41.1 |
| | ~~~~~ | ~~~~~ |
| Adjustments to reconcile net earnings
to net cash from operating activities: | | |
| Depreciation and amortization | 29.0 | 31.7 |
| Accounts receivable | (44.8) | (65.8) |
| Inventories | (43.5) | (22.3) |
| Accounts payable and accrued expenses | 51.3 | 31.9 |
| Other | 6.8 | 7.4 |
| | ~~~~~ | ~~~~~ |
| Total adjustments | (1.2) | (17.1) |
| | ~~~~~ | ~~~~~ |
| Net cash provided by operating activities | 53.4 | 24.0 |
| | ~~~~~ | ~~~~~ |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Property, plant and equipment: | | |
| Additions | (34.4) | (27.3) |
| Disposals | 2.7 | .3 |
| Investments in and advances to affiliates
and unconsolidated companies | (16.2) | 21.6 |
| Acquisitions of new business activities | - | 3.4 |
| Net cash proceeds from the disposition of
certain business activities | - | 1.3 |
| | ~~~~~ | ~~~~~ |
| Net cash used in investing activities | (47.9) | (.7) |
| | ~~~~~ | ~~~~~ |
| NET CASH FLOWS FROM OPERATING & INVESTING
ACTIVITIES | 5.5 | 23.3 |
| | ~~~~~ | ~~~~~ |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Proceeds from borrowings | - | 48.6 |
| Payments on borrowings | (1.9) | (69.8) |
| Net borrowings under credit agreements | 24.1 | 21.5 |
| Payments of dividends | (5.2) | (2.9) |
| Other | (5.0) | (5.6) |
| | ~~~~~ | ~~~~~ |
| Net cash provided by (used for)
financing activities | 12.0 | (8.2) |
| | ~~~~~ | ~~~~~ |
| EFFECT OF EXCHANGE RATE CHANGES ON CASH | .1 | (.3) |
| | ~~~~~ | ~~~~~ |
| NET CHANGE IN CASH & CASH EQUIVALENTS | 17.6 | 14.8 |
| Cash & cash equivalents at beginning of year | 77.3 | 54.2 |
| | ~~~~~ | ~~~~~ |
| CASH & CASH EQUIVALENTS AT END OF QUARTER | \$ 94.9 | \$ 69.0 |
| | ~~~~~ | ~~~~~ |
| | ~~~~~ | ~~~~~ |

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CUMMINS ENGINE COMPANY, INC., AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Unaudited
(Dollars in Millions, Unless Otherwise Stated)
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NOTE 1. ACCOUNTING POLICIES: The CONSOLIDATED FINANCIAL STATEMENTS for the interim periods ended April 3, 1994 and April 4, 1993 have been prepared in accordance with the accounting policies described in the Company's Annual Report to Shareholders and Form 10-K. Management believes the statements include all adjustments of a normal recurring nature necessary to present fairly the results of operations for the interim periods. Inventory values at interim reporting dates are based

upon estimates of the annual adjustments for taking physical inventory and for the change in cost of LIFO inventories.

NOTE 2. INCOME TAXES: Income tax expense is reported during the interim reporting periods on the basis of the estimated annual effective tax rate for the taxable jurisdictions in which the Company operates. In the first quarter of 1994 and 1993, the Company recognized approximately \$11 and \$10, respectively, related to a reduction in its valuation allowance for tax loss carryforwards.

NOTE 3. Preference Stock Redemption: On January 24, 1994, the Company called for redemption, at a price of \$51.05 per depositary share, plus accrued dividends, of its outstanding Convertible Exchangeable Preference Stock, which had a face value of \$112.2 at December 31, 1993. Holders elected to convert their shares into 2.9 million shares of common stock prior to the redemption date. Had the stock conversion occurred on January 1, 1994, pro forma net earnings per share would have approximated \$1.31 in the first quarter of 1994.

NOTE 4. EARNINGS PER SHARE: Primary earnings per share of common stock are computed by subtracting preference stock dividend requirements from net earnings and dividing that amount by the weighted average number of common shares outstanding during the period. The weighted average number of shares, which includes the exercise of certain stock options granted to employees, was 40.3 million in the first quarter of 1994 and 34.8 million in the first quarter of 1993. Fully diluted earnings per share are computed by dividing net earnings by the weighted average number of shares assuming the exercise of stock options and conversion of debt and preference stock to common stock.

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CUMMINS ENGINE COMPANY, INC., AND SUBSIDIARIES  
MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND  
FINANCIAL CONDITION  
(Dollars In Millions, Unless Otherwise Stated)

OVERVIEW

Cummins continued to benefit from strong business conditions in most of its markets in the first quarter of 1994. Net sales were \$1,099.2, compared to \$1,048.4 in the first quarter of 1993. Net earnings were \$54.6, or \$1.35 per share, in the first quarter of 1994, compared to \$4.1, or \$1.12 per share, in the first quarter of 1993. The North American heavy-duty truck market remained at high levels of production. Sales of midrange engines were higher than in the first quarter of 1993. However, in the first quarter of 1994, midrange engine sales in North America were reduced because of advance purchases made by some truck and bus customers at the end of 1993 to avoid price increases. Power generation sales benefited from improvements in the market for power units in recreational vehicles. Sales to industrial markets also increased, particularly for construction and agricultural applications.

RESULTS OF OPERATIONS

The percentage relationships between net sales and other elements of the Company's CONSOLIDATED STATEMENT OF EARNINGS for the comparative reporting periods were:

	First Quarter	
	1994	1993
Percent of Net Sales		
Net sales	100.0	100.0

Cost of goods sold	75.4	76.1
	~~~~~	~~~~~
Gross profit	24.6	23.9
Selling and administrative expenses	13.5	13.4
Research and engineering expenses	4.9	4.7
Interest expense	.4	.9
Other expense	-	.3
	~~~~~	~~~~~
Earnings before income taxes	5.8	4.6
Provision for income taxes	.8	.7
	~~~~~	~~~~~
Net earnings	5.0	3.9
	~~~~~	~~~~~

Sales by Market

~~~~~

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

| | First Quarter 1994 | | First Quarter 1993 | |
|---|--------------------|---------|--------------------|---------|
| | Dollars | Percent | Dollars | Percent |
| | ~~~~~ | ~~~~~ | ~~~~~ | ~~~~~ |
| Heavy-duty truck | 335 | 31 | 324 | 31 |
| Midrange truck | 100 | 9 | 86 | 8 |
| Power generation | 230 | 21 | 213 | 20 |
| Bus & light commercial vehicles | 156 | 14 | 147 | 14 |
| Industrial products | 124 | 11 | 118 | 11 |
| Government | 15 | 1 | 28 | 3 |
| Marine | 17 | 2 | 17 | 2 |
| Fleetguard, Holset and
Cummins Electronics (a) | 122 | 11 | 115 | 11 |
| | ~~~~~ | ~~~ | ~~~~~ | ~~~ |
| Net sales | 1,099 | 100 | 1,048 | 100 |
| | ~~~~~ | ~~~ | ~~~~~ | ~~~ |
| | ~~~~~ | ~~~ | ~~~~~ | ~~~ |

(a) Included sales of McCord in the first quarter of 1993.

Sales of \$335 to the heavy-duty market in the first quarter of 1994 were 3 percent higher than in the first quarter of 1993. This increase was attributable to the strong North American heavy-duty market. In the first quarter of 1994, the Company's heavy-duty engine shipments in North America increased 9 percent over the first-quarter 1993 level. The Company continues to lead this market with a 34-percent market share. In general, shipments of the Company's heavy-duty truck engines for international markets in the first quarter of 1994 were essentially level with the first quarter of 1993.

Midrange truck engine sales in the first quarter of 1994 were \$14 higher than in the first quarter of 1993. The effect of a decrease in shipments of midrange engines for the North American market was offset by an increase in shipments to international markets, primarily in the United Kingdom where there were unusually low shipments in the first quarter of 1993. The first-quarter 1994 decrease in North American shipments was due to advance purchases by some midrange engine truck customers at the end of 1993 to avoid price increases. Shipments of these engines are projected to increase in the second quarter of 1994.

Power generation sales in the first quarter of 1994 were \$230, compared to \$213 in the first quarter of 1993. The 8-percent increase was due to a strengthening of the market for power units in recreational vehicles and the continued increase in demand for alternators. Power generation sales also continued to benefit from demand for industrial generator sets in international markets.

In the bus and light commercial vehicle market, the Company's sales were \$156 in the first quarter of 1994, compared to \$147 in the first quarter of 1993. The 6-percent increase in sales was due primarily to pricing actions, with actual engine shipments approximately 9 percent lower than first-quarter 1993. The lower level of engine shipments was due primarily to advance purchases of midrange engines for the North American bus market at the end of 1993.

Sales to industrial markets increased 5 percent in the first quarter of 1994, compared to the first quarter of 1993. This increase in sales was due primarily to improvements in both North American and international construction markets. Shipments for the agricultural market in North America also showed modest gains in the first quarter of 1994.

Engine shipments for all markets in the first quarter of 1994 were 69,900, compared to 67,900 in the first quarter of 1993. Shipments by engine family for the comparative periods were:

| | First Quarter | |
|-------------------------|---------------|--------|
| | 1994 | 1995 |
| | ~~~~~ | ~~~~~ |
| Midrange engines | 45,000 | 44,300 |
| Heavy-duty engines | 23,000 | 21,600 |
| High-horsepower engines | 1,900 | 2,000 |
| | ~~~~~ | ~~~~~ |
| Total engine shipments | 69,900 | 67,900 |
| | ~~~~~ | ~~~~~ |
| | ~~~~~ | ~~~~~ |

Gross Profit
~~~~~

The Company's gross profit percentage was 24.6 percent in the first quarter of 1994, compared to 23.9 percent in the first quarter of 1993. The key factors contributing to the improved margin in the first quarter of 1994 were the increase in demand for the Company's products and the full-year effect of price increases subsequent to the first quarter of 1993. This was partially offset by an increase in costs associated with product coverage programs. The cost of these programs, which includes both warranty and extended coverage, was 2.7 percent of net sales in the first quarter of 1994, compared to 2.2 percent of net sales in the first quarter of 1993. This increase was attributable to higher product coverage provisions for new product introductions.

Operating Expense  
~~~~~

Selling and administrative expenses were \$148.6, or 13.5 percent of net sales, in the first quarter of 1994, compared to \$140.6, or 13.4 percent of net sales, in the first quarter of 1993. The increase in expenditures in the first quarter of 1994 was primarily attributable to the increase in demand for the Company's products. The increase of \$4.4 in research and engineering expenses in the first quarter of 1994, compared to the first quarter of 1993, was due to increased expenditures for fuel systems and for ongoing product development.

Interest Expense
~~~~~

Interest expense was \$4.5 in the first quarter of 1994, compared to \$9.6 in the first quarter of 1993. The decrease in interest expense in the first quarter of 1994 was due to the Company's early retirement and redemption of debt obligations during 1993.

Provision For Income Taxes  
~~~~~

As disclosed in NOTE 2 to the CONSOLIDATED FINANCIAL STATEMENTS, the Company reduced its valuation allowance for tax loss carryforwards approximately \$11 in the first quarter of 1994 and \$10 in the first quarter of 1993.

FINANCIAL CONDITION AND CASH FLOW
 ~~~~~

Key elements of the CONSOLIDATED STATEMENT OF CASH FLOWS were:

	1994	1993
	~~~~~	~~~~~
Net cash provided by operating activities	\$53.4	\$24.0
Net cash used for investing activities	(47.9)	(.7)
	~~~~~	~~~~~
Net cash flows from operating and investing activities	5.5	23.3
Net cash provided by (used for) financing activities	12.0	(8.2)
Effect of exchange rate changes on cash	.1	( .3)
	~~~~~	~~~~~
Net change in cash and cash equivalents	\$17.6	\$14.8
	~~~~~	~~~~~
	~~~~~	~~~~~

During the first quarter of 1994, the Company generated cash flows from operating activities of \$53.4, compared to \$24.0 in the first quarter of 1993, due to improved earnings and a reduction in net working capital requirements. Investing activities required net cash resources of \$47.9 for capital expenditures and investments in and advances to affiliates and unconsolidated companies. Cash reserves increased \$17.6 during the quarter to \$94.9.

On January 24, 1994, the Company called for redemption, at a price of \$51.05 per depositary share, plus accrued dividends, its outstanding Convertible Exchangeable Preference Stock, which had a face value of \$112.2 at December 31, 1993. In lieu of accepting the cash redemption price, virtually all of the holders elected to convert their preference stock into common stock of the Company. As a result, the Company issued 2.9 million shares of common stock to the holders.

Total indebtedness (including the guaranteed notes of the ESOP Trust) was \$258.3 at the end of the first quarter of 1994, compared to \$235.6 at December 31, 1993. The Company's debt-to-capital ratio was 22.8 percent at the end of the first quarter and 22.3 percent at December 31, 1993.

On January 25, 1994, Moody's Investors Service upgraded the ratings of the senior debt of the Company to investment grade (from Ba1 to Baa2). Moody's stated that the action reflected the favorable intermediate-term outlook for the Company's sales and operating performance as a result of the Company's stronger and more diversified customer base, the expansion of its international presence and better cost controls.

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PART II. OTHER INFORMATION
 ~~~~~

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

The Company held its annual meeting of security holders on April 5, 1994 at which security holders: (a) elected 14 directors of the Company for the ensuing year, (b) ratified the appointment of Arthur

Andersen & Co., as auditors for the year 1994, (c) approved the Cummins Engine Company, Inc., Restricted Stock Plan for Non-Employee Directors, and (d) amended the Company's Restated Articles of Incorporation to increase the number of authorized shares of Common Stock from 50,000,000 to 150,000,000 shares.

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

Voting on Directors:

~~~~~

|                   | For<br>~~~~~ | Withheld<br>~~~~~ |
|-------------------|--------------|-------------------|
| H. Brown          | 34,542,776   | 226,628           |
| R. Darnall        | 34,557,124   | 212,280           |
| J. D. Donaldson   | 34,430,683   | 338,721           |
| W. Y. Elisha      | 34,559,371   | 210,033           |
| H. H. Gray        | 34,548,706   | 220,698           |
| J. A. Henderson   | 34,573,197   | 196,207           |
| D. G. Mead        | 34,428,226   | 341,178           |
| J. I. Miller      | 34,558,903   | 210,501           |
| W. I. Miller      | 34,571,279   | 198,125           |
| D. S. Perkins     | 34,559,081   | 210,323           |
| W. D. Ruckelshaus | 34,563,696   | 205,708           |
| H. B. Schacht     | 34,568,560   | 200,844           |
| F. A. Thomas      | 34,560,531   | 208,873           |
| J. L. Wilson      | 34,558,981   | 210,423           |

Ratification of Accountants:

~~~~~

For ~~~~~	Against ~~~~~	Abstain ~~~~~
34,601,673	89,088	78,643

Restricted Stock Plan:

~~~~~

| For<br>~~~~~ | Against<br>~~~~~ | Abstain<br>~~~~~ |
|--------------|------------------|------------------|
| 34,168,688   | 421,624          | 179,092          |

Restated Articles of Incorporation:

~~~~~

For ~~~~~	Against ~~~~~	Abstain ~~~~~
29,998,915	4,551,308	219,181

With regard to the election of directors, votes were cast in favor of or withheld from each nominee; votes that were withheld were excluded entirely from the vote and had no effect. Abstentions on all proposals (except the election of directors) were counted as present for purposes of determining the existence of a quorum regarding the item on which the abstention was voted. Since the amendment of the Restated Articles of Incorporation required the approval of a majority of the outstanding shares, abstentions had the effect of a negative vote. Abstentions on the adoption of the Restricted Stock Plan had the same effect because it required the affirmative vote of a majority of shares present in person or by proxy and entitled to vote. Under the rules of the New York Stock Exchange, brokers who held shares in street name had the authority to vote on certain items when they did not receive instructions from beneficial owners. Brokers that did not receive instructions were entitled to vote on the election of directors and the amendment to the Restated Articles of Incorporation. With respect to the Restricted Stock Plan, brokers could not vote shares held for customers without specific instructions from such customers. Under

applicable Indiana law, a broker non-vote had the same effect as a vote against the proposed amendment to the Restated Articles of Incorporation, and had no effect on the outcome of the election of directors or the approval of the Restricted Stock Plan.

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

- (a) See the Index to Exhibits on Page 14 for a list of exhibits filed herewith.
- (b) The Company was not required to file a Form 8-K during the first quarter of 1994.

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/John McLachlan
 ~~~~~  
 John McLachlan  
 Vice President - Corporate Controller  
 (Chief Accounting Officer)

May 5, 1994

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CUMMINS ENGINE COMPANY, INC., AND SUBSIDIARIES

INDEX TO EXHIBITS

|                                                                                                                                                                                                                                                              | Page No. |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|
|                                                                                                                                                                                                                                                              | ~~~~~    |
| 3(a) Restated Articles of Incorporation of Cummins Engine Company, Inc., as amended (filed herewith and incorporated 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). | 15       |
| 10(s) 1992 Stock Incentive Plan (filed herewith).                                                                                                                                                                                                            | 16       |
| 10(t) Restricted Stock Plan for Non-Employee Directors (filed herewith).                                                                                                                                                                                     | 25       |
| 11 Schedule of Computation of Per Share Earnings for the First Quarter ended April 3, 1994 and                                                                                                                                                               |          |

April 4, 1993 (filed herewith).

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CUMMINS ENGINE COMPANY, INC., AND SUBSIDIARIES  
EXHIBIT 3(a)  
ARTICLES OF AMENDMENT OF THE ARTICLES OF INCORPORATION  
~~~~~

The text of Article IV, Section 4.1 of the Restated Articles of Incorporation is amended to read as follows:

SECTION 4.1 AUTHORIZED CLASSES and NUMBER OF SHARES. The total number of shares which the Corporation has authority to issue shall be 152,000,000 shares, consisting of 150,000,000 shares of common stock ("Common Stock"), 1,000,000 shares of preference stock ("Preference Stock") and 1,000,000 shares of preferred stock (Preferred Stock). The shares of Common Stock have a par value of \$2.50 per share. The shares of Preference and Preferred Stock do not have any par or stated value, except that, solely for the purpose of any statute or regulation imposing any tax or fee based upon the capitalization of the Corporation, each of the Corporation's shares of Preference Stock and Preferred Stock shall be deemed to have a par value of \$1.00 per share.

CUMMINS ENGINE COMPANY, INC., AND SUBSIDIARIES
EXHIBIT 10(s)
1992 STOCK INCENTIVE PLAN
~~~~~

1. OBJECTIVES. The Cummins Engine Company, Inc. 1992 Stock Incentive Plan (the "Plan") is designed to retain and motivate executives and other selected employees. These objectives are accomplished by making incentive awards of the Company's stock under the Plan thereby providing participants with a proprietary interest in the growth and performance of the Company.
2. DEFINITIONS:
  - (a) "Award" -- The grant of any form of stock option, stock appreciation right or stock award whether granted singly, in combination or in tandem, to a Participant pursuant to such terms, conditions and limitations as the Committee may establish in order to fulfill the objectives of the Plan.
  - (b) "Award Agreement" -- An agreement between the Company and a Participant that sets forth the terms, conditions and limitations applicable to an Award.
  - (c) "Board" -- The Board of Directors of the Company.
  - (d) "Change of Control" -- The occurrence of any of the following:
    - (i) there shall be consummated (A) any consolidation or merger of the Company in which the Company is not the continuing or surviving corporation or pursuant to which shares of Common Stock would be converted in whole or in part into cash, other securities or other property, other than a merger of the Company in which the holders of Common Stock immediately prior to the merger have substantially the same proportionate ownership of common stock of the surviving corporation immediately after the merger, or (B) any sale, lease, exchange or transfer (in one transaction or a series of related transactions) of all or substantially all the assets of the Company; or (ii) the stockholders of the Company shall approve any plan or proposal for the liquidation or dissolution of the Company; or (iii) any "person" (as such term is used in Sections 13(d)(3) and 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")), other than the Company or a subsidiary thereof or any employee benefit plan sponsored by the Company or a subsidiary thereof, shall become the beneficial owners (within the meaning of Rule 13d-3 under the Exchange Act) of securities of the Company representing 25% or more of the combined voting power of the Company's then outstanding securities ordinarily (and apart from rights accruing in special circumstances) having the right to vote in the election of directors, as a result of a tender or exchange offer, open market purchases, privately negotiated purchases or otherwise; or (iv) at any time during a period of two consecutive years, individuals who, at the beginning of such period constituted the Board, shall cease for any reason to constitute at least a majority thereof, unless the election or the nomination for election by the Company's stockholders of each new director during such two-year period was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of such two-year period; or (v) any other event shall occur that would be required to be reported in response to Item 6(e) (or any successor provision) of Schedule 14A of Regulation 14A promulgated under the Exchange Act.
  - (e) "Common Stock" -- Authorized and issued or unissued Common

Stock, par value \$2.50 per share, of the Company.

- (f) "Code" -- The Internal Revenue Code of 1986, as amended from time to time.
  - (g) "Committee" -- The Compensation Committee of the Board, or such other committee of the Board that is designated by the Board to administer the Plan. The Committee shall be constituted so as to permit the Plan to comply with Rule 16b-3 promulgated under the Exchange Act or any successor rule and shall initially consist of not less than three members of the Board, each of whom is ineligible to receive Awards, shall have been so ineligible for at least one year prior to serving on the Committee and shall satisfy the requirements to be a disinterested person contained in Rule 16b-3(1)(2)(i).
  - (h) "Company" -- Cummins Engine Company, Inc. and its subsidiaries, including subsidiaries of subsidiaries.
  - (i) "Fair Market Value" -- The average of the high and low prices of the Common Stock as reported on the composite tape for securities listed on the New York Stock Exchange for the date in question, provided that if no sales of Common Stock were made on said Exchange on that date, the average of the high and low prices of Common Stock as reported on said composite tape for the preceding day on which sales of Common Stock were made on said Exchange.
  - (j) "Participant" -- An employee of the Company to whom an Award has been made under the Plan.
3. ELIGIBILITY. Employees of the Company eligible for an Award under the Plan are those who hold positions of responsibility and whose performance, in the judgment of the Committee or the management of the Company, can have a significant effect on the success of the Company.
4. STOCK AVAILABLE FOR AWARDS. Up to 1.0% of the outstanding Common Stock as determined on December 31 of the preceding year shall be available for Awards granted wholly or partly in stock during each calendar year in which the Plan is in effect. For purposes of Awards made during 1992, 17,200,000 shares shall be deemed to have been outstanding as of December 31, 1991. From time to time, the Board and appropriate officers of the Company shall take whatever actions are necessary to file required documents with governmental authorities and stock exchanges to make shares of Common Stock available for issuance pursuant to Awards. Common Stock related to Awards that are forfeited (provided that the participant received no benefits of ownership such as dividends from the forfeited shares), terminated or expire unexercised, or related to options or stock appreciation rights settled in cash in lieu of stock, shall again become available for Awards. Any Common Stock that so becomes available, as well as any unused portion of the percentage limit for any calendar year, shall be carried forward and be available for Awards in succeeding calendar years.
5. ADMINISTRATION. The Plan shall be administered by the Committee which shall have full and exclusive power to interpret the Plan, to grant waivers of Plan restrictions, including waivers of restrictions on exercise of outstanding stock options and appreciation rights, waivers of vesting requirements and acceleration of Award payments, and to adopt such rules, regulations and guidelines for carrying out the Plan as it may deem necessary or proper, all of which powers shall be executed in the best interests of the Company and in keeping with the objectives of the Plan. These powers include, but are not limited to, the adoption of modifications, amendments, procedures, subplans and the like as are necessary to comply with provisions of the laws or other countries

in which the Company may operate in order to assure the viability of Awards granted under the Plan and to enable Participants employed in such other countries to receive advantages and benefits under the Plan and such laws.

6. AWARDS. The Committee shall determine the type or types of Award(s) to be made to each participant and shall set forth in the related Award Agreement the terms, conditions and limitations applicable to each Award. Awards may include but are not limited to those listed in this Section 6. Awards may be granted singly, in combination or in tandem. Awards may also be made in combination or in tandem with, in replacement of or as alternatives to grants or rights under any other employee plan of the Company, including the plan of any acquired entity. On such terms and conditions as shall be approved by the Committee, the Company or any of its subsidiaries may directly or indirectly lend money to any Participant or other person to accomplish the purposes of the Plan, including to assist such persons to acquire shares of Common Stock acquired upon the exercise of options.

(a) Stock Option -- A grant of a right to purchase a specified number of shares of Common Stock at not less than 100% of Fair Market Value on the date of grant during a specified period as determined by the Committee. A stock option may be in the form of an incentive stock option ("ISO") which, in addition to being subject to applicable terms, conditions and limitations established by the Committee, complies with Section 422 of the Code which, among other limitations, provides that (i) to the extent that the aggregate Fair Market Value (determined at the time the option is granted) of Common Stock exercisable for the first time by a Participant during any calendar year exceeds \$100,000 (or such other limit as may be required by the Code), such option shall not be treated as an ISO and (ii) the option shall be exercisable for a period of not more than ten years from the date of grant.

(b) Stock Appreciation Right -- A right to receive a payment, in cash and/or Common Stock, equal to the excess of the Fair Market Value or other specified valuation of a specified number of shares of Common Stock on the date the stock appreciation right ("SAR") is exercised over the Fair Market Value or other specified valuation on the date of grant of the SAR as set forth in the applicable Award Agreement, except that where the SAR is granted in tandem with a stock option, the grant and exercise valuations must be not less than Fair Market Value.

(c) Stock Award -- An Award made in Common Stock or denominated in units of Common Stock. All or part of any Common Stock award may be subject to conditions established by the Committee and set forth in the Award Agreement, which may include, but are not limited to, continuous service with the Company, achievement of specific business objectives, increases in specified indices, attaining growth rates and other comparable measurements of Company performance. Such Awards may be based on Fair Market Value or other specified valuation.

7. PAYMENT OF AWARDS. Award payments made in the form of Common Stock may include such restrictions as the Committee shall determine, including restrictions on transfer and forfeiture provisions. When transfer of Common Stock is so restricted or subject to forfeiture provisions, it is referred to as "Restricted Stock". Further, with Committee approval, payments may be deferred, either in the form of installments or a future single payment. The Committee may permit selected Participants to elect to defer payments of some or all types of Awards in accordance with procedures established by the Committee to assure that such deferrals comply with applicable requirements of the Code including, at the choice of Participants, the capability to make further deferrals for payment after

retirement. Any deferred payment, whether elected by the Participant or specified by the Award Agreement or by the Committee, may require the payment be forfeited in accordance with the provisions of Section 12. Dividends or dividend equivalent rights may be extended to and made part of any Award denominated in Common Stock or units of Common Stock, subject to such terms, conditions and restrictions as the Committee may establish. The Committee may also establish rules and procedures for the crediting of dividend equivalents for deferred payments denominated in Common Stock or units of Common Stock. At the discretion of the Committee, a Participant may be offered an election to substitute an Award for another Award or Awards of the same or different type.

8. STOCK OPTION EXERCISE. The price at which shares of Common Stock may be purchased under a stock option shall be paid in full at the time of the exercise in cash or, if permitted by the Committee, by means of tendering Common Stock or surrendering another Award, including Restricted Stock, valued at Fair Market Value on the date of exercise, or any combination thereof. The Committee shall determine acceptable methods for tendering Common Stock or other Awards and may impose such conditions on the use of Common Stock or other Awards to exercise a stock option as it deems appropriate. In the event shares of Restricted Stock are tendered as consideration for the exercise of a stock option, a number of the shares issued upon the exercise of the stock option, equal to the number of shares of Restricted Stock used as consideration therefor, shall be subject to the same restrictions as the Restricted Stock so submitted plus any additional restrictions that may be imposed by the Committee.
9. TAX WITHHOLDING. The Company shall have the right to deduct applicable taxes from any Award payment and to retain at the time of delivery or vesting of shares under the Plan, an appropriate number of shares of Common Stock in value sufficient to cover the payment of any taxes required by law to be withheld or to take such other action as may be necessary in the opinion of the Company to satisfy all obligations for withholding of such taxes; provided, however, that a Participant shall have the option to provide the Company with the funds to enable it to pay such taxes. Notwithstanding the preceding sentence, if the participant is subject to Section 16 of the Exchange Act, the Participant must affirmatively elect whether he wishes to (i) have the Company retain shares of Common Stock, (ii) provide the Company with other funds or (iii) have the Company deduct amounts from other compensation due him in order to satisfy the tax withholding requirements arising under an Award. Such election shall either (a) be an irrevocable election made after the date shareholder approval of the Plan is obtained and at least six months prior to the date on which the amount of the taxes to be withheld is determined or (b) take effect (or with respect to elections made prior to September 1, 1993, be made) during the ten-business day "window period" beginning on the third business day following the date on which the Company releases for publication its annual or quarterly financial statements and ending on the twelfth business day following the date of release thereof. If Common Stock is used to satisfy tax withholding, such stock shall be valued based on the Fair Market Value when the amount of the taxes to be withheld is determined.
10. AMENDMENT, MODIFICATION, SUSPENSION OR DISCONTINUANCE OF THE PLAN. The Board may amend, modify, suspend or terminate the Plan for the purpose of meeting or addressing any changes in legal requirements or for any other purpose permitted by law. Subject to changes in law or other legal requirements which would permit otherwise, the Plan may not be amended without the consent of the holders of a majority of the shares of Common Stock then outstanding to (i) increase the maximum number of shares of Common Stock that may be awarded under the Plan in any calendar year, taking into consideration any carryover of shares from prior years (except for adjustments pursuant to Section 14 of the Plan), (ii) decrease the

option price, (iii) materially modify the requirements as to eligibility for participation in the Plan, (iv) withdraw administration of the Plan from the Committee or (v) extend the period during which Awards may be granted.

11. TERMINATION OF EMPLOYMENT. If the employment of a Participant terminates, other than pursuant to paragraphs (a) through (c) of this Section 11, all unexercised, deferred and unpaid Awards shall be canceled immediately unless the Award Agreement provides otherwise.

(a) Retirement Under a Company Retirement Plan. When a Participant's employment terminates as a result of retirement in accordance with the terms of a Company retirement plan, the Committee may permit Awards to continue in effect beyond the date of retirement in accordance with the applicable Award Agreement and the exercisability and vesting of any Award may be accelerated.

(b) Resignation in the Best Interests of the Company. When a Participant resigns from the Company and, in the judgment of the Committee, the acceleration and/or continuation of outstanding Awards would be in the best interests of the Company, the Committee may (i) authorize, where appropriate, the acceleration and/or continuation of all or any part of Awards granted prior to such termination and (ii) permit the exercise, vesting and payment of such Awards for such period as may be set forth in the applicable Award Agreement, subject to earlier cancellation pursuant to Section 12 or at such time as the Committee shall deem the continuation of all or any part of the Participant's Awards are not in the Company's best interests.

(c) Death or Disability of a Participant

(i) In the event of a Participant's death, the participant's estate or beneficiaries shall have the period specified in the Award Agreement within which to receive or exercise any outstanding Award held by the participant under such terms as may be specified in the applicable Award Agreement.

(ii) In the event a Participant is deemed by the Company to be disabled and eligible for benefits pursuant to the terms of the Company's Long-Term Disability Plan, any successor plan, or similar plan of another employer, Awards and rights to any Awards may be paid to or exercised by the Participant, if legally competent, or a committee or other legally designated guardian or representative if the Participant is legally incompetent by virtue of such disability.

(iii) After the death or disability of a Participant, the Committee may in its sole discretion at any time (1) terminate restrictions in Award Agreements; (2) accelerate any or all installments and rights; and (3) instruct the Company to pay the total of any accelerated payments in a single sum to the Participant, the Participant's estate, beneficiaries or representative -- notwithstanding that, in the absence of such termination of restrictions or acceleration of payments, any or all of the payments due under the Awards might ultimately have become payable to other beneficiaries.

12. CANCELLATION AND RESCISSION OF AWARDS. Unless the Award Agreement specifies otherwise, the Committee may cancel any unexpired, unpaid or deferred Award at any time if the Participant is not in compliance with all other applicable provisions of the Award



Agreement and the Plan and with the condition that the Participant (whether or not an employee of the Company at the time) shall not render services for any organization or engage directly or indirectly in any business which, in the judgment of the Committee, is or becomes competitive with the Company, or which organization or business, or the rendering of services to such organization or business, is or becomes otherwise prejudicial to or in conflict with the interests of the Company.

13. NONASSIGNABILITY.

- (a) Except pursuant to paragraph (c) of Section 11, no Award or any other benefit under the Plan shall be assignable or transferable, or payable to or exercisable by, anyone other than the Participant to whom it was granted.

14. ADJUSTMENTS. In the event of any change in the Common Stock by reason of a stock split, stock dividend, combination or reclassification of shares, recapitalization, split-up, spin-off, dividend other than a regular quarterly cash dividend, separation, reorganization, liquidation, merger, consolidation or similar event, the Committee may adjust proportionally (a) the number of shares of Common Stock (i) reserved under the Plan, and (ii) covered by outstanding Awards; (b) the stock prices related to outstanding Awards; and (c) the appropriate Fair Market Value and other price determinations for such Awards. In the event of any of the changes described in the first sentence of this Section 14, the Committee shall be authorized to issue or assume stock options, whether or not in a transaction to which Section 424(a) of the Code applies, by means of substitution of new options for previously issued options or an assumption of previously issued options.

15. CHANGE OF CONTROL. In order to maintain the Participants' rights in the event of a Change of Control, the Committee, in its sole discretion, may, either at the time an Award is made hereunder or at any time prior to, or coincident with or after the time of, a Change of Control:

- (a) provide for the acceleration of any time periods relating to the exercise or realization of such Awards so that such awards may be exercised or realized in full on or before a date fixed by the Committee;
- (b) provide for the purchase by the Company of such Awards, upon the Participant's request, for an amount of cash equal to the amount which could have been obtained upon the exercise or realization of such rights had such Awards been currently exercisable or payable;
- (c) make such adjustment to the Awards then outstanding as the Committee deems appropriate to reflect such Change of Control; or
- (d) cause the Awards then outstanding to be assumed, or new rights substituted therefore, by the surviving corporation in such Change of Control.

The Committee may, in its discretion, include such further provisions and limitations in any agreement documenting such Awards as it may deem equitable and in the best interests of the Company with respect to changes in control.

16. GOVERNING LAW. The Plan and all determinations made and actions taken pursuant hereto, to the extent not otherwise governed by the Code or the securities laws of the United States, shall be governed by the laws of the State of Indiana and construed accordingly.

17. EFFECTIVE AND TERMINATION DATES. The Plan shall become effective on

the date of its adoption by the Board and Awards may be made immediately thereafter, but no Stock Award may be paid, Restricted Stock issued (unless containing restrictions requiring cancellation of such Restricted Stock if stockholder approval is not received) or Stock Option exercised under the Plan until it is approved by the holders of a majority of the shares of Common Stock then outstanding. The Plan shall terminate on December 31, 2002, subject to earlier termination by the Board pursuant to Section 10.

CUMMINS ENGINE COMPANY, INC., AND SUBSIDIARIES  
EXHIBIT 10(t)  
RESTRICTED STOCK PLAN FOR NON-EMPLOYEE DIRECTORS  
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1. PURPOSE. This Restricted Stock Plan for Non-Employee Directors ("the Plan") is intended to attract and retain the services of experienced and knowledgeable independent directors of Cummins Engine Company, Inc. ("the Company") for the benefit of the Company and its stockholders and to provide additional incentive for such directors to continue to work for the best interests of the Company and its stockholders.
2. STOCK AVAILABLE FOR AWARDS. No additional shares of the Company's common stock ("Common Stock") shall be reserved for issuance under the Plan. Instead, the number of shares available under the Plan shall be integrated with the number available for awards pursuant to the Company's 1992 Stock Incentive Plan ("the SIP"). Awards made under this plan shall reduce the number of shares of Common Stock available for awards under the SIP.
3. ADMINISTRATION. The Plan shall be administered by the Board of Directors of the Company ("the Board"). Subject to the express provisions of the Plan, the Board shall have plenary authority to interpret the Plan, to prescribe, amend and rescind rules and regulations relating to it, to determine the terms and provisions of the restrictions on Common Stock awards (which shall comply with and be subject to the terms and conditions of the Plan) and to make all other determinations necessary or advisable for the administration of the Plan. The Board's determinations of the matters referred to in this Paragraph 3 shall be conclusive.
4. PARTICIPATION IN THE PLAN. Persons who are now or shall become incumbent directors of the Company who are not at the respective times employees of the Company or any subsidiary of the Company shall be eligible to participate in the Plan (an "Eligible Director"). A director of the Company shall not be deemed to be an employee of the Company solely by reason of the existence of a consulting contract or arrangement between such director and the Company or any subsidiary thereof pursuant to which the director agrees to provide consulting services as an independent consultant on a regular or occasional basis for a stated consideration.
5. AWARDS. Each Eligible Director shall automatically receive, in payment of a portion of his or her annual Board retainer fee, an annual award of Common Stock, restricted as to transfer for a period of six (6) months following the date of the award. In the case of an initial award, the restriction period shall end six (6) months following the date of stockholder approval of the Plan. The number of shares in each such annual award shall be equal to \$6,000 divided by the average of the closing prices of Common Stock as reported on the composite tape of the New York Stock Exchange for the twenty (20) consecutive trading days immediately preceding the date of the award. An initial automatic award to each Eligible Director shall be effective as of July 13, 1993, subject to stockholder approval of the Plan. Following the initial award, each Eligible Director shall automatically receive the award on the date of each Annual Meeting of Shareholders of the Company. The Company reserves the right to legend the share certificates for an appropriate period of time and to take other actions designed to assure compliance with applicable securities laws.
6. CHANGES IN PRESENT COMMON STOCK. In the event of any merger, consolidation, reorganization, recapitalization, stock dividend, stock split or other change in the corporate structure or capitalization affecting the Company's present Common Stock, appropriate adjustment shall be made by the Board in the number and kind of shares which are

or may be awarded hereunder.

7. EFFECTIVE DATE AND DURATION OF THE PLAN. Awards shall be made under the Plan, subject to its authorization and adoption by the stockholders of the Company, upon its adoption by the Board of Directors, but no share certificates shall be issued under the Plan until the Plan shall have been adopted and approved at the Annual Meeting of shareholders of the Company next following adoption of the Plan by the Board. If so adopted by stockholders, this Plan shall become effective as of July 13, 1993. The Plan shall terminate on December 31, 2002 (unless earlier discontinued by the Board) but such termination shall not affect the rights of the holder of any Common Stock subject to restriction on such date of termination.
8. AMENDMENT OF PLAN. The Board may suspend or discontinue the Plan or revise or amend it in any respect whatsoever, provided, however, that without approval of the stockholders, no revision or amendment shall change the number of shares subject to the Plan (except as provided in Section 6), change the definition of the class of directors eligible to receive awards, or materially increase the benefits accruing to participants under the Plan.
9. GOVERNING LAW. This Plan and all determinations made and actions taken pursuant hereto, to the extent not otherwise governed by securities laws of the United States, shall be governed by the laws of the State of Indiana and construed accordingly.

CUMMINS ENGINE COMPANY, INC., AND SUBSIDIARIES
 EXHIBIT 11
 SCHEDULE OF COMPUTATION OF PER SHARE EARNINGS
 FOR THE FIRST QUARTER ENDED APRIL 3, 1994 AND APRIL 4, 1993
 (Millions, except per share data)

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|                                                     | Weighted<br>Average<br>Shares<br>~~~~~ | Net<br>Earnings<br>~~~~~ | Calculated<br>Per<br>Share<br>~~~~~ |
|-----------------------------------------------------|----------------------------------------|--------------------------|-------------------------------------|
| 1994                                                |                                        |                          |                                     |
| ~~~~~                                               |                                        |                          |                                     |
| Earnings available for common stock<br>shareholders | 40.1                                   | \$54.6                   | \$1.36                              |
| Options                                             | .2                                     | -                        |                                     |
|                                                     | ~~~~~                                  | ~~~~~                    |                                     |
| Primary earnings per common share                   | 40.3                                   | 54.6                     | 1.35                                |
| Convertible preference stock                        | -                                      | -                        |                                     |
|                                                     | ~~~~~                                  | ~~~~~                    |                                     |
| Fully diluted earnings per common<br>share          | 40.3                                   | \$54.6                   | 1.35                                |
|                                                     | ~~~~~                                  | ~~~~~                    |                                     |
|                                                     | ~~~~~                                  | ~~~~~                    |                                     |
| 1993                                                |                                        |                          |                                     |
| ~~~~~                                               |                                        |                          |                                     |
| Earnings available for common stock<br>shareholders | 34.6                                   | \$39.1                   | \$1.13                              |
| Options                                             | .2                                     | -                        |                                     |
|                                                     | ~~~~~                                  | ~~~~~                    |                                     |
| Primary earnings per common share                   | 34.8                                   | 39.1                     | 1.12                                |
| Liquid Yield Option Notes                           | 1.1                                    | .9                       |                                     |
| Convertible preference stock                        | 3.0                                    | 2.0                      |                                     |
| Other                                               | -                                      | (.4)                     |                                     |
|                                                     | ~~~~~                                  | ~~~~~                    |                                     |
| Fully diluted earnings per common share             | 38.9                                   | \$41.6                   | 1.07                                |
|                                                     | ~~~~~                                  | ~~~~~                    |                                     |
|                                                     | ~~~~~                                  | ~~~~~                    |                                     |