NAVISTAR®

IT'S UPTIME AT



Q3 2016 EARNINGS PRESENTATION

SEPTEMBER 8, 2016

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Safe Harbor Statement and Other Cautionary Notes

Information provided and statements contained in this presentation that are not purely historical are forward-looking statements within the meaning of the federal securities laws. Such forward-looking statements only speak as of the date of this presentation and Navistar International Corporation assumes no obligation to update the information included in this presentation. Such forward-looking statements include information concerning our possible or assumed future results of operations, including descriptions of our business strategy. These statements often include words such as “believe,” “expect,” “anticipate,” “intend,” “plan,” “estimate,” or similar expressions. These statements are not guarantees of performance or results and they involve risks, uncertainties, and assumptions. For a further description of these factors, see the risk factors set forth in our filings with the Securities and Exchange Commission, including our annual report on Form 10-K for the year ended October 31, 2015 and our quarterly report on Form 10-Q for the period ended July 31, 2016. Although we believe that these forward-looking statements are based on reasonable assumptions, there are many factors that could affect our results of operations and could cause actual results to differ materially from those in the forward-looking statements. All future written and oral forward-looking statements by us or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements contained herein or referred to above. Except for our ongoing obligations to disclose material information as required by the federal securities laws, we do not have any obligations or intention to release publicly any revisions to any forward-looking statements to reflect events or circumstances in the future or to reflect the occurrence of unanticipated events.

The financial information herein contains audited and unaudited information and has been prepared by management in good faith and based on data currently available to the Company.

Certain non-GAAP measures are used in this presentation to assist the reader in understanding our core manufacturing business. We believe this information is useful and relevant to assess and measure the performance of our core manufacturing business as it illustrates manufacturing performance. It also excludes financial services and other items that may not be related to the core manufacturing business or underlying results. Management often uses this information to assess and measure the underlying performance of our operating segments. We have chosen to provide this supplemental information to investors, analysts, and other interested parties to enable them to perform additional analyses of operating results. The non-GAAP numbers are reconciled to the most appropriate GAAP number in the appendix of this presentation.

Product Updates



- **Major New Vehicle Introduction**
  First product from Project Horizon investment



- **HX Series**
  Bringing industry-leading durability, reliability and drivability



- **Propane-Powered IC Bus**
  Completing major deliveries of propane school buses



- **Cutaway G Van**
  Expanding partnership with GM

Technology Updates



- **OnCommand Connection**
  Improving uptime for 230,000 vehicles



- **Accelerator Write-Up Tool**
  Streamlining the write-up and diagnostic process



- **DriverFirst Philosophy**
  Designing driver-focused vehicles



- **Predictive Cruise Control**
  Maximizing fuel economy

Long-term, Strategic Alliance with Volkswagen Truck & Bus

• **Equity Investment**	- Volkswagen Truck & Bus will invest $256 million to take a 16.6% equity stake (post-dilution) in Navistar (subject to customary closing conditions)
• **Strategic Technology Collaboration**	- Two companies intend to enter into definitive agreements to collaborate on technology for powertrain systems, as well as other advanced technologies
• **Procurement Joint Venture**	- Procurement joint venture expected to provide greater global scale from joint sourcing activities
• **Governance**	- Navistar will add two Volkswagen Truck & Bus representatives to its Board of Directors at closing of share issuance - Parties plan to form a joint Alliance Board to oversee alliance arrangements

Key Benefits of Alliance with Volkswagen Truck & Bus

- Global strategic partnership
- Expanded product and service offerings
- Provides benefits from global scope and scale
- Additional customer choice
- Optimizes development costs
- Overtime provides incremental parts sales opportunities
- Increases liquidity and financial flexibility

Alliance marks another step in Navistar's journey to be a stronger, more profitable company

2016 Results Demonstrate Lower Breakeven Point

$ in millions, except per share and units

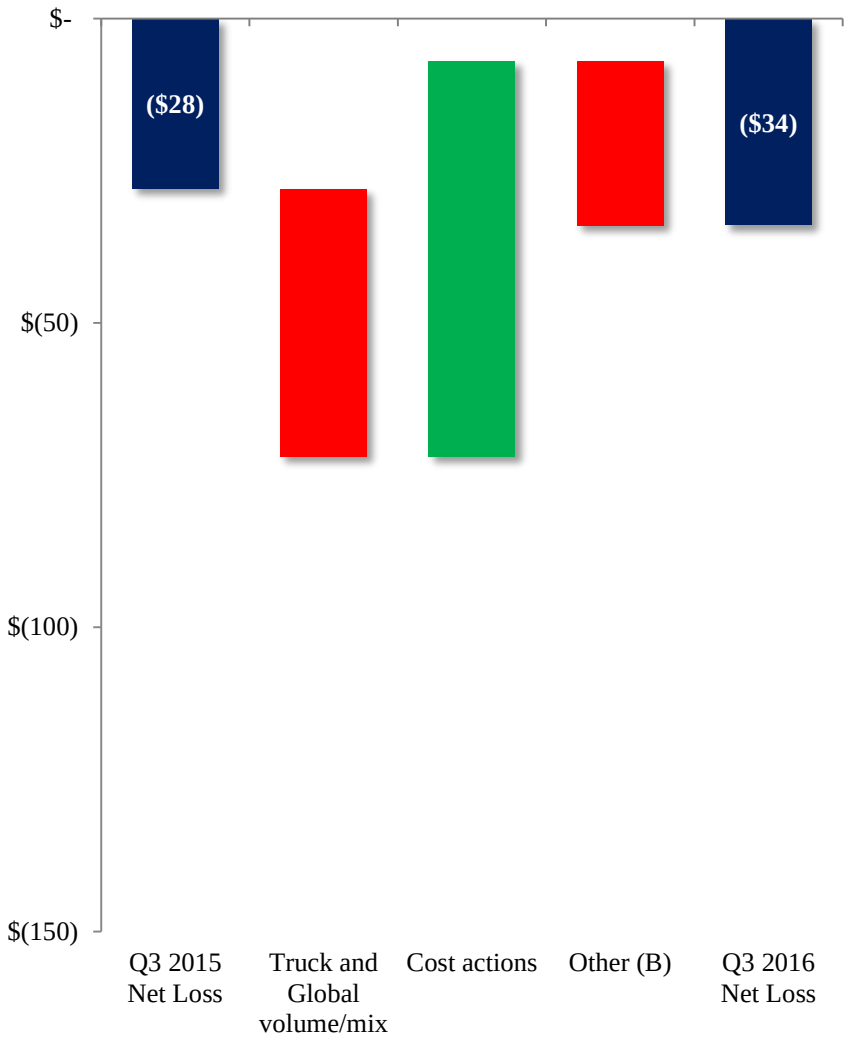
	Quarters Ended July 31		Nine Months Ended July 31	
	2016	**2015**	**2016**	**2015**
Chargeouts[(A)]	**13,100**	17,100	**39,900**	49,200
Sales and Revenues	**$2,086**	$2,538	**$6,048**	$7,652
Loss from Continuing Operations, Net of Tax[(B)]	**($34)**	($30)	**($63)**	($136)
Diluted Loss Per Share from Continuing Operations[(B)]	**($0.42)**	($0.37)	**($0.77)**	($1.67)
Adjusted EBITDA	**$132**	$129	**$396**	$285

(A) Includes U.S. and Canada School buses and Class 6-8 trucks.
(B) Amounts attributable to Navistar International Corporation.

Note: This slide contains non-GAAP information; please see the REG G in appendix for a detailed reconciliation.

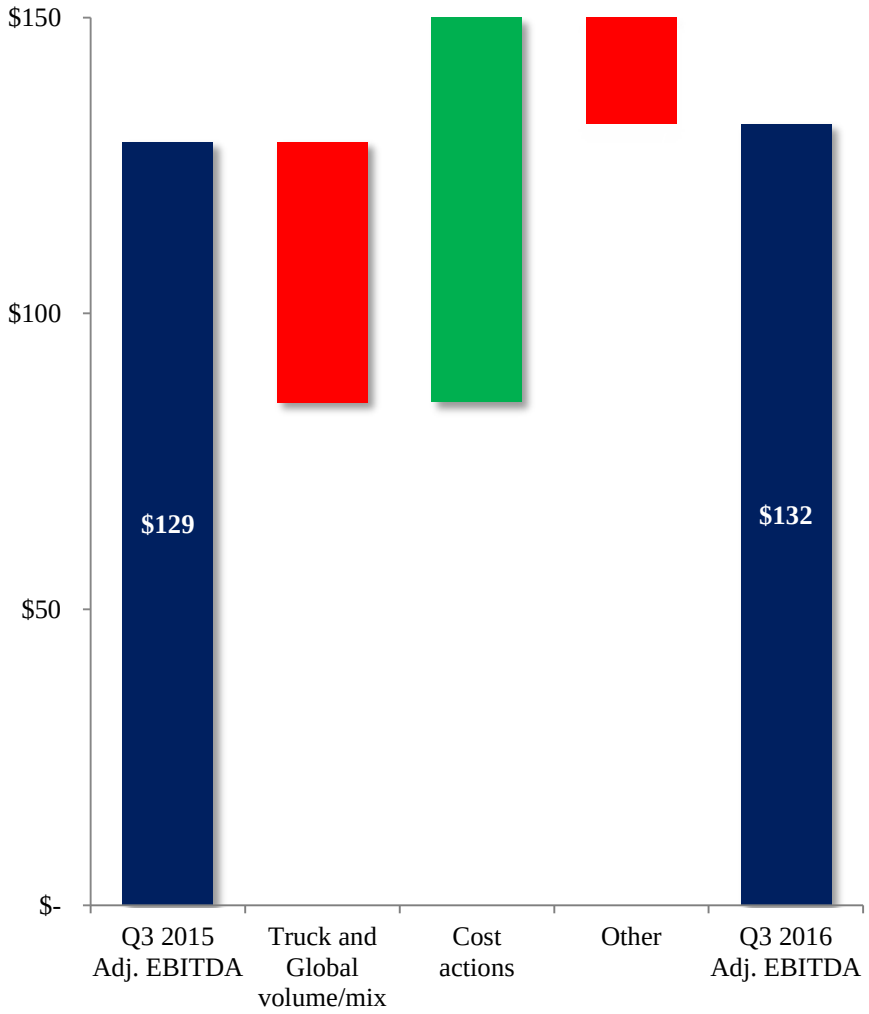
Q3 - Cost Savings Offsetting Revenue Headwinds

Net Income (Loss)(A)



$ in millions

Adjusted EBITDA

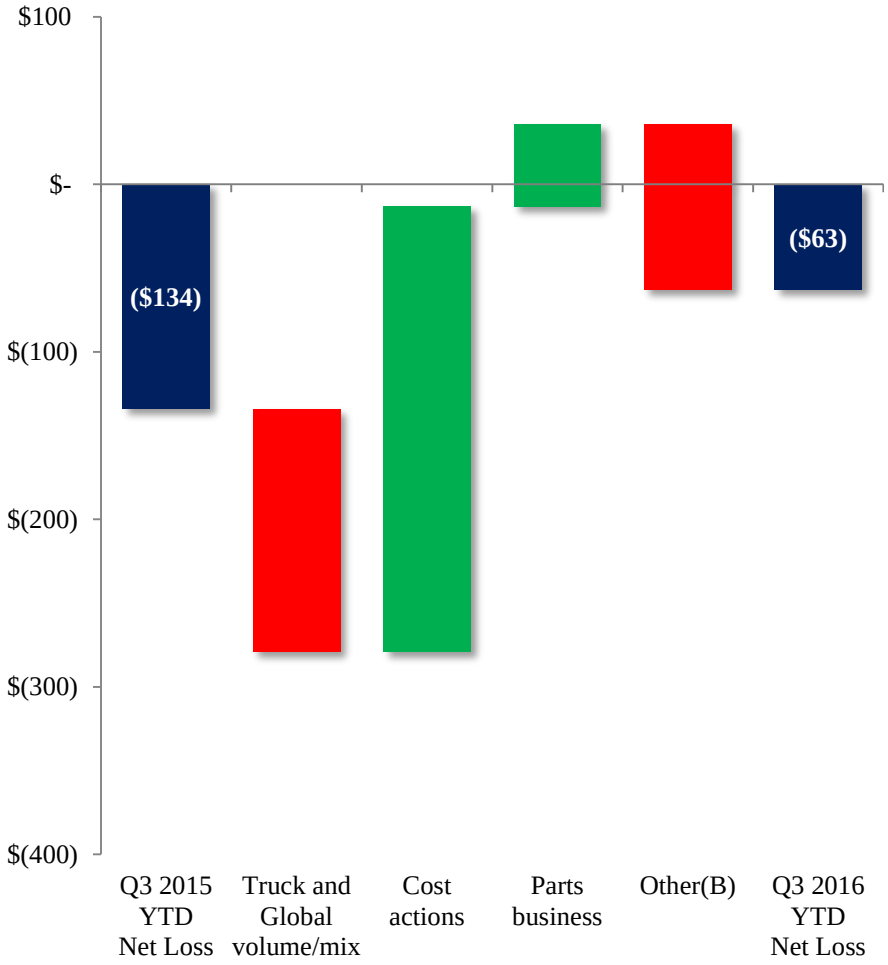


(A) Amounts attributable to Navistar International Corporation.
(B) Including adjustment of pre-existing warranty and other significant items.

Note: This slide contains non-GAAP information; please see the REG G in appendix for a detailed reconciliation.

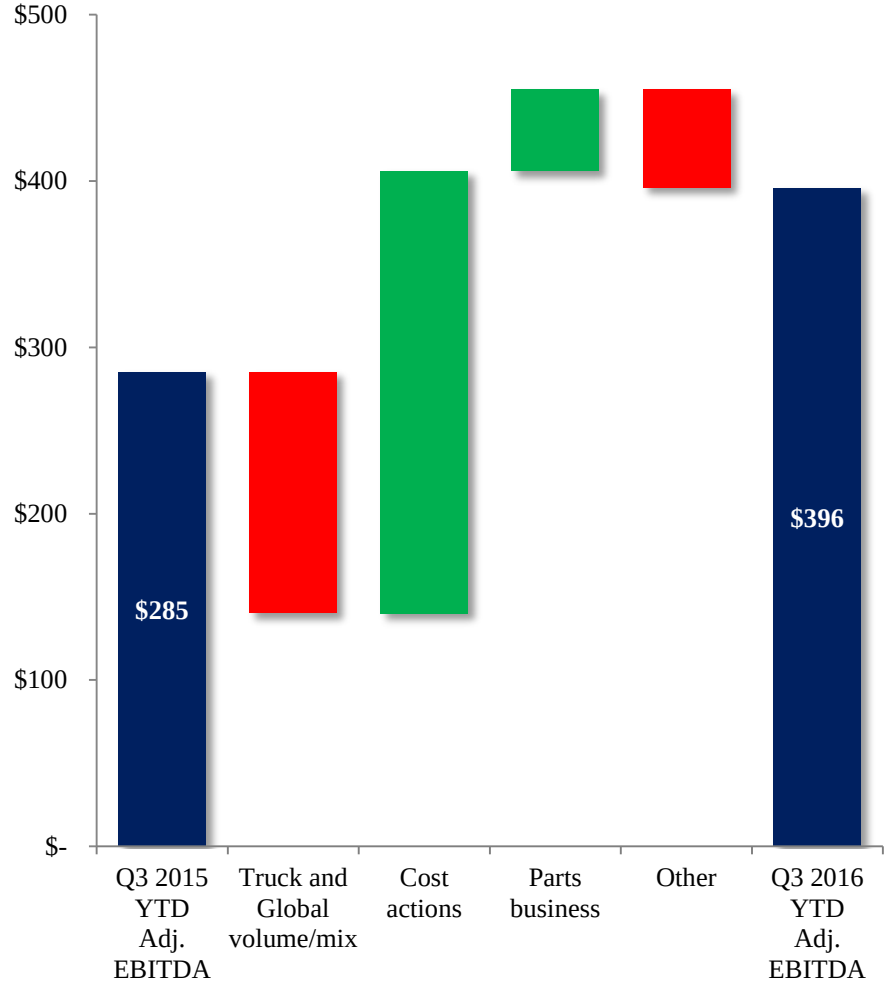
YTD - Cost Savings and Parts Business Drive Earnings Improvement

Net Income (Loss)(A)



$ in millions

Adjusted EBITDA



(A) Amounts attributable to Navistar International Corporation.
(B) Including adjustment of pre-existing warranty and other significant items.

Note: This slide contains non-GAAP information; please see the REG G in appendix for a detailed reconciliation.

Q3 2016 Segment Results

$ in millions

	Sales and Revenues		Segment Profit	
	Quarters Ended July 31		Quarters Ended July 31	
	2016	2015	2016	2015
Truck	**$1,395**	$1,834	**($54)**	($36)
Parts	**$597**	$625	**$152**	$151
Global Operations	**$85**	$109	**($5)**	($26)
Financial Services	**$60**	$63	**$26**	$26

1st Nine Months Segment Results

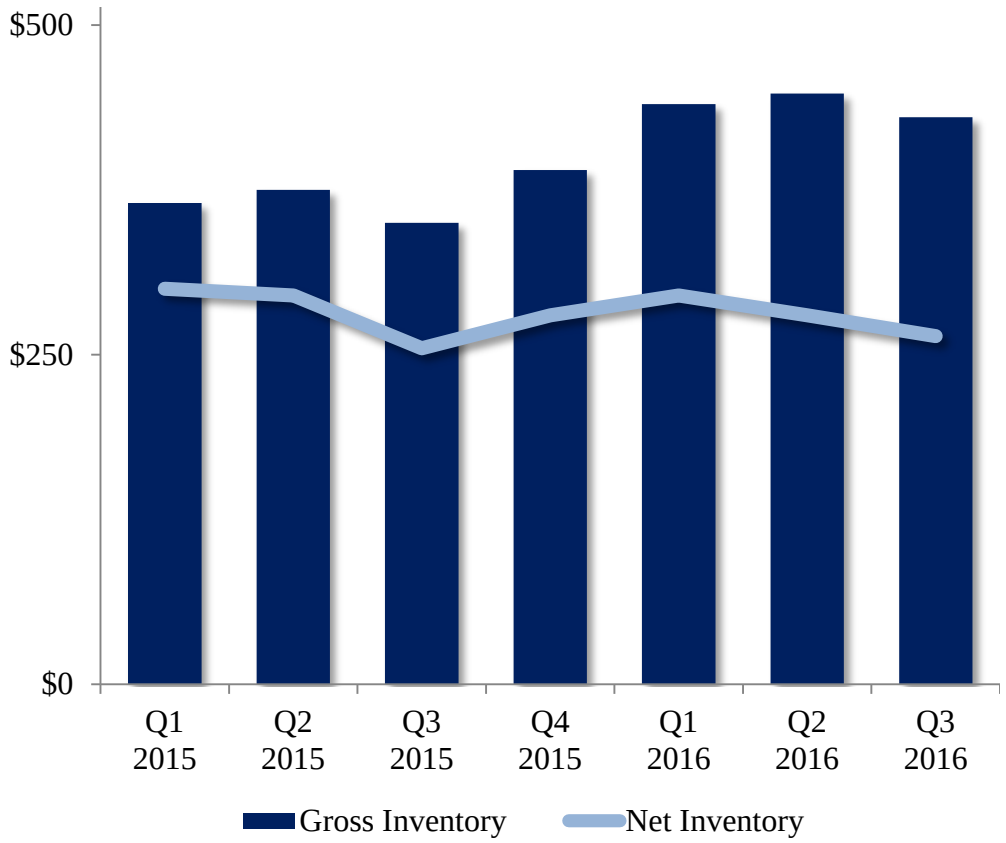
$ in millions

	Sales and Revenues		Segment Profit	
	Nine Months Ended July 31		Nine Months Ended July 31	
	2016	2015	2016	2015
Truck	**$4,007**	$5,470	**($128)**	($105)
Parts	**$1,814**	$1,864	**$478**	$429
Global Operations	**$254**	$391	**($19)**	($40)
Financial Services	**$177**	$183	**$77**	$72

Used Truck Inventory Improved in Q3

$ in millions

Gross and Net Used Truck Inventory



- Gross inventory balance: $430 million
- Inventory reserve: $166 million
- Net inventory balance: $264 million
- Manage trade receipts
- Export and domestic sales opportunities

Q3 2016 Cash Update

$ in millions

	Consolidated	Manufacturing
Q2 2016 Cash Balance[A]	**$817**	**$732**
Consolidated Adjusted EBITDA[B]	$132	$132
Capex/Cash Interest/Pension & OPEB Funding	($159)	($141)
Change in Net Working Capital/Debt/Warranty/Other[C]	($103)	($83)
Q3 2016 Cash Balance[A]	**$687**	**$640**

(A) Cash balance includes marketable securities.
(B) Excluding one-time items and pre-existing warranty.
(C) Manufacturing includes intercompany activities. Please see slide #22 in appendix for additional information.

Note: This slide contains non-GAAP information; please see the REG G in appendix for a detailed reconciliation.

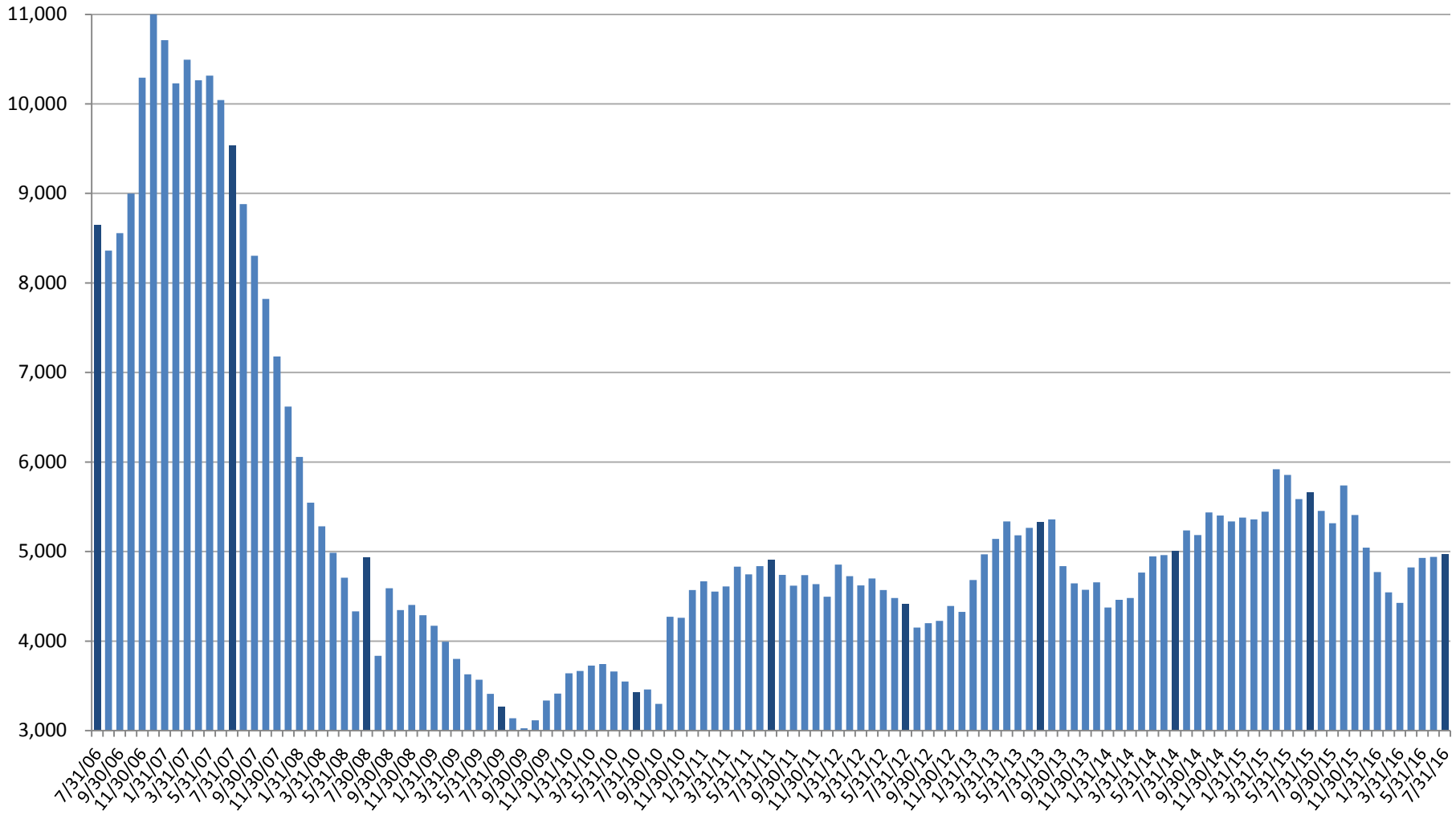
2016 Guidance Summary

Class 8 Industry	**220-250K**
Core Markets Industry	**330-360K**
Revenue	**$8.2-$8.6B**
Cost Reductions	**>$200M**(A)
Adjusted EBITDA	**$550-$600M**
Manufacturing Cash	**~$800M**

(A) Achieved over $300 million of 2016 cost reductions as of the third quarter

APPENDIX

U.S. and Canada Dealer Stock Inventory*



*Includes U.S. and Canada Class 4-8 truck and Canada school bus inventory.

Retail Market Share in Commercial Vehicle Segments

	Three Months Ended				
	July 31, 2016	April 30, 2016	January 31, 2016	October 31, 2015	July 31, 2015
Core Markets (U.S. and Canada)					
Class 6 and 7 medium trucks	20%	27%	20%	19%	24%
Class 8 heavy trucks	9%	11%	10%	11%	12%
Class 8 severe service trucks	12%	11%	16%	15%	15%
Combined class 8 trucks	10%	11%	11%	12%	13%



Class 6/7

Medium-Duty



Class 8

Heavy



Class 8

Severe Service

Worldwide Truck Chargeouts

(in units)	Three Months Ended July 31, 2016	2015	Change	% Change	Nine Months Ended July 31, 2016	2015	Change	% Change
Core Markets (U.S. and Canada)								
School buses	**3,900**	3,500	400	11 %	**8,500**	8,500	—	— %
Class 6 and 7 medium trucks	**3,500**	3,800	(300)	(8)%	**13,600**	14,500	(900)	(6)%
Class 8 heavy trucks	**3,800**	7,000	(3,200)	(46)%	**12,300**	19,100	(6,800)	(36)%
Class 8 severe service trucks	**1,900**	2,800	(900)	(32)%	**5,500**	7,100	(1,600)	(23)%
Total Core Markets	**13,100**	17,100	(4,000)	(23)%	**39,900**	49,200	(9,300)	(19)%
Non "core" military	**200**	100	100	N.M.	**400**	100	300	N.M.
Other markets[(A)]	**2,800**	2,900	(100)	(3)%	**5,900**	15,300	(9,400)	(61)%
Total worldwide units	**16,100**	20,100	(4,000)	(20)%	**46,200**	64,600	(18,400)	(28)%
Combined class 8 trucks	**5,700**	9,800	(4,100)	(42)%	**17,800**	26,200	(8,400)	(32)%

N.M. Not meaningful

We define chargeouts as trucks that have been invoiced to customers. The units held in dealer inventory represent the principal difference between retail deliveries and chargeouts. This table summarizes our approximate worldwide chargeouts from our continuing operations.

We define our Core markets to include U.S. and Canada School bus and Class 6 through 8 trucks. Our Core markets include CAT-branded units sold to Caterpillar under our North America supply agreement.

(A) Other markets primarily consist of Export Truck and Mexico and also include chargeouts related to Blue Diamond Truck (BDT) of 6,000 units during the nine months ended July 31, 2015. There were no third party chargeouts related to BDT during the three and nine months ended July 31, 2016 or during the three months ended July 31, 2015, as Ford no longer purchases from BDT.

Navistar Financial Corporation

Highlights

- Financial Services segment profit of $26 million for Q3 2016, $77 million YTD
- U.S. financing availability of $403 million as of July 31, 2016
- Financial Services debt/equity leverage of 3.3:1

Dealer Floor Plan

- **NFSC wholesale trust as of July 31, 2016**
  - $1 billion funding facility
  - Variable portion matures May 2017
  - Term portions mature October 2016 and June 2017
- **On balance sheet**

Retail Notes

NAVISTAR® CAPITAL

Funded by BMO Financial Group

- **Program management continuity**
- **Broad product offering**
- **Ability to support large fleets**
- **Access to less expensive capital**

Bank Facility

- **$620 million facility reduces to $357 million by December 2016**
- **Option to increase up to $700 million based on commitments**
  - Funding for retail notes, wholesale notes, retail accounts, and dealer open accounts
- **On balance sheet**

Frequently Asked Questions

Q1: What is included in Corporate and Eliminations?

A: The primary drivers of Corporate and Eliminations are Corporate SG&A, pension and OPEB expense (excluding amounts allocated to the segments), annual incentive, manufacturing interest expense, and the elimination of intercompany sales and profit between segments.

Q2: What is included in your equity in loss of non-consolidated affiliates?

A: Equity in loss of non-consolidated affiliates is derived from our ownership interests in partially-owned affiliates that are not consolidated.

Q3: What is your net income attributable to non-controlling interests?

A: Net income attributable to non-controlling interests is the result of the consolidation of subsidiaries in which we do not own 100%, and is primarily comprised of Ford's non-controlling interest in our Blue Diamond Parts joint venture.

Q4: What are your expected 2016 and beyond pension funding requirements?

A: Future contributions are dependent upon a number of factors, principally the changes in values of plan assets, changes in interest rates and the impact of any funding relief currently under consideration. In 2014, we contributed $164 million to meet the minimum required contributions for all plans. In August 2014, the Highway and Transportation Funding Act of 2014, which included an extension of the pension funding interest rate relief, was signed into law. As a result, we lowered our funding expectations. We contributed $113 million to our pension plans during 2015. We currently expect to contribute approximately $100M to our pension plans during 2016. In 2017 and 2018, the Company will be required to contribute $100 to $200 million per year to the plans, depending on asset performance and discount rates.

Q5: What is your expectation for future cash tax payments?

A: Our cash tax payments are expected to remain low in 2016 and will gradually increase as we utilize available net operating losses (NOLs) and tax credits in future years.

Frequently Asked Questions

Q6: What is the current balance of net operating losses as compared to other deferred tax assets?

A: As of October 31, 2015 the Company had deferred tax assets for U.S. federal NOLs valued at $840 million, state NOLs valued at $145 million, and foreign NOLs valued at $176 million, for a total undiscounted cash value of $1.2 billion. In addition to NOLs, the Company had deferred tax assets for accumulated tax credits of $266 million and other deferred tax assets of $2.0 billion resulting in net deferred tax assets before valuation allowances of approximately $3.5 billion. Of this amount, $3.3 billion was subject to a valuation allowance at the end of FY2015.

Q7: How does your FY 2016 Class 8 industry outlook compare to ACT Research?

A:

Reconciliation to ACT - Retail Sales	2016	
ACT*	221,600	
CY to FY adjustment	9,545	
Total (ACT comparable Class 8 to Navistar)	231,145	
Navistar Industry Retail Deliveries Combined Class 8 Trucks	220,000	250,000
Navistar difference from ACT	(11,145)	18,855
*Source: ACT N.A. Commercial Vehicle Outlook - August 2016	-4.8%	8.2%

Q8: Please discuss the process from an order to a retail delivery?

A: Orders* are customers' written commitments to purchase vehicles. Order backlogs* are orders yet to be built as of the end of a period. Chargeouts are vehicles that have been invoiced to customers. Retail deliveries occur when customers take possession and register the vehicle. Units held in dealer inventory represent the principal difference between retail deliveries and chargeouts.

* Orders and units in backlog do not represent guarantees of purchases and are subject to cancellation.

Q9: What is your manufacturing interest expense for Fiscal Year 2016?

A: For the three and nine months ended July 31, 2016, manufacturing interest was $63 million and $187 million, respectively. Annual manufacturing interest for 2016 is forecasted to be ~$240 million. For reference, manufacturing interest expense was $233 million and $243 million for FY 2015 and 2014, respectively.

Frequently Asked Questions

Q10: What should we assume for capital expenditures in Fiscal Year 2016?

A: For the three and nine months ended July 31, 2016, capital expenditures were $30 million and $83 million, respectively. Annual capital expenditures for 2016 is forecasted to be ~$125 million. In comparison, capital expenditures were $115 million and $88 million for FY 2015 and 2014, respectively.

Q11: How do you define manufacturing free cash flow?

A:

(in millions)	Three Months Ended January 31, 2016	Three Months Ended April 30, 2016	Three Months Ended July 31, 2016	Nine Months Ended July 31, 2016
Consolidated Net Cash from Operating Acitvites	(102)	(2)	**90**	**(14)**
Less: Net Cash from Financial Services Operations	173	(54)	**95**	**214**
Net Cash from Manufacturing Operations [(A)]	(275)	$ 52	**$ (5)**	**(228)**
Capital Expenditures	(29)	(24)	**(29)**	**(82)**
Manufacturing Free Cash Flow	$ (304)	$ 28	**$ (34)**	**(310)**

(A) Amounts include intercompany activities from our Financial Services operations. During the nine months ended July 31, 2016, the Manufacturing operations received $80 million in dividends from Navistar Financial Corporation. Also, our Financial Services operations in Mexico extended working capital loans to our Manufacturing operations in Mexico for orders received. As of July 31, 2016, the borrowings of our Manufacturing operations in Mexico under these loan agreements totaled $51 million. Additionally, our Manufacturing operations increased $4 million under the Intercompany Used Truck Loan.

Q12: What were your Worldwide Engine Shipments in the period?

A:

(in units)	Three Months Ended July 31, 2016	2015	Change	% Change	Nine Months Ended July 31, 2016	2015	Change	% Change
OEM sales-South America	**5,400**	11,400	(6,000)	(53)%	**24,900**	38,700	(13,800)	(36)%
Intercompany sales	**4,200**	6,600	(2,400)	(36)%	**12,900**	20,200	(7,300)	(36)%
Other OEM sales	**900**	1,800	(900)	(50)%	**3,000**	7,300	(4,300)	(59)%
Total sales	**10,500**	19,800	(9,300)	(47)%	**40,800**	66,200	(25,400)	(38)%

Outstanding Debt Balances

(in millions)	July 31, 2016	October 31, 2015
Manufacturing operations		
Senior Secured Term Loan Credit Facility, as amended, due 2020, net of unamortized discount of $14 and $17, respectively	**$ 1,020**	$ 1,023
8.25% Senior Notes, due 2022, net of unamortized discount of $16 and $18, respectively	**1,184**	1,182
4.50% Senior Subordinated Convertible Notes, due 2018, net of unamortized discount of $11 and $14, respectively	**189**	186
4.75% Senior Subordinated Convertible Notes, due 2019, net of unamortized discount of $26 and $32, respectively	**385**	379
Debt of majority-owned dealerships	**13**	28
Financing arrangements and capital lease obligations	**44**	49
Loan Agreement related to 6.5% Tax Exempt Bonds, due 2040	**225**	225
Financed lease obligations	**61**	111
Other	**10**	15
Total Manufacturing operations debt	**3,131**	3,198
Less: Current Portion	**67**	103
Net long-term Manufacturing operations debt	**$ 3,064**	$ 3,095

(in millions)	July 31, 2016	October 31, 2015
Financial Services operations		
Asset-backed debt issued by consolidated SPEs, at fixed and variable rates, due serially through 2021	**$ 867**	$ 870
Bank revolvers, at fixed and variable rates, due dates from 2016 through 2021	**874**	1,063
Commercial paper, at variable rates, program matures in 2017	**93**	86
Borrowings secured by operating and finance leases, at various rates, due serially through 2021	**100**	81
Total Financial Services operations debt	**1,934**	2,100
Less: Current portion	**1,322**	1,007
Net long-term Financial Services operations debt	**$ 612**	$ 1,093

SEC Regulation G Non-GAAP Reconciliation

SEC Regulation G Non-GAAP Reconciliation

The financial measures presented below are unaudited and not in accordance with, or an alternative for, financial measures presented in accordance with U.S. generally accepted accounting principles ("GAAP"). The non-GAAP financial information presented herein should be considered supplemental to, and not as a substitute for, or superior to, financial measures calculated in accordance with GAAP and are reconciled to the most appropriate GAAP number below

Earnings (loss) Before Interest, Income Taxes, Depreciation, and Amortization ("EBITDA"):

We define EBITDA as our consolidated net income (loss) from continuing operations attributable to Navistar International Corporation, net of tax, plus manufacturing interest expense, income taxes, and depreciation and amortization. We believe EBITDA provides meaningful information to the performance of our business and therefore we use it to supplement our GAAP reporting. We have chosen to provide this supplemental information to investors, analysts and other interested parties to enable them to perform additional analyses of operating results..

Adjusted EBITDA:

We believe that adjusted EBITDA, which excludes certain identified items that we do not consider to be part of our ongoing business, improves the comparability of year to year results, and is representative of our underlying performance. Management uses this information to assess and measure the performance of our operating segments. We have chosen to provide this supplemental information to investors, analysts and other interested parties to enable them to perform additional analyses of operating results, to illustrate the results of operations giving effect to the non-GAAP adjustments shown in the below reconciliations, and to provide an additional measure of performance.

Adjusted EBITDA margin:

We define Adjusted EBITDA margin as a percentage of the Company's consolidated sales and revenues. We have chosen to provide this supplemental information to investors, analysts and other interested parties to enable them to perform additional analyses of operating results, to illustrate the results of operations giving effect to the non-GAAP adjustments shown in the below reconciliations, and to provide an additional measure of performance.

Manufacturing Cash, Cash Equivalents, and Marketable Securities:

Manufacturing cash, cash equivalents, and marketable securities represents the Company's consolidated cash, cash equivalents, and marketable securities excluding cash, cash equivalents, and marketable securities of our financial services operations. We include marketable securities with our cash and cash equivalents when assessing our liquidity position as our investments are highly liquid in nature. We have chosen to provide this supplemental information to investors, analysts and other interested parties to enable them to perform additional analyses of our ability to meet our operating requirements, capital expenditures, equity investments, and financial obligations.

Structural costs *consists of Selling, general and administrative expenses and Engineering and product development costs.*

Free Cash Flow *consists of Net cash from operating activities and Capital Expenditures.*

SEC Regulation G Non-GAAP Reconciliations

Manufacturing segment cash and cash equivalents and marketable securities reconciliation:

(in millions)	July 31, 2016	April 30, 2016	July 31, 2015	July 31, 2014	July 31, 2013
Manufacturing Operations:					
Cash and cash equivalents	**$ 510**	$ 527	$ 507	$ 517	$ 413
Marketable securities	**130**	205	268	581	674
Manufacturing Cash and cash equivalents and Marketable securities	**$ 640**	$ 732	$ 775	$ 1,098	$ 1,087
Financial Services Operations:					
Cash and cash equivalents	**$ 37**	$ 62	$ 40	$ 30	$ 12
Marketable securities	**10**	23	25	37	34
Financial Services Cash and cash equivalents and Marketable securities	**$ 47**	$ 85	$ 65	$ 67	$ 46
Consolidated Balance Sheet:					
Cash and cash equivalents	**$ 547**	$ 589	$ 547	$ 547	$ 425
Marketable securities	**140**	228	293	618	708
Consolidated Cash and cash equivalents and Marketable securities	**$ 687**	$ 817	$ 840	$ 1,165	$ 1,133

	July 31, 2012	July 31, 2011	July 31, 2010	July 31, 2009
Manufacturing Operations:				
Cash and cash equivalents	$ 488	$ 413	$ 476	$ 751
Marketable securities	139	600	281	0
Manufacturing Cash and cash equivalents and Marketable securities	$ 627	$ 1,013	$ 757	$ 751
Financial Services Operations:				
Cash and cash equivalents	$ 59	$ 31	$ 39	$ 70
Marketable securities	20	20	20	0
Financial Services Cash and cash equivalents and Marketable securities	$ 79	$ 51	$ 59	$ 70
Consolidated Balance Sheet:				
Cash and cash equivalents	$ 547	$ 444	$ 515	$ 821
Marketable securities	159	620	301	0
Consolidated Cash and cash equivalents and Marketable securities	$ 706	$ 1,064	$ 816	$ 821

SEC Regulation G Non-GAAP Reconciliations

Earnings (loss) before interest, taxes, depreciation, and amortization ("EBITDA") reconciliation

(in millions)	Quarters Ended July 31, 2016	Quarters Ended July 31, 2015	Nine Months Ended July 31, 2016	Nine Months Ended July 31, 2015
Loss from continuing operations attributable to NIC, net of tax	**$ (34)**	$ (30)	**$ (63)**	$ (136)
Plus:				
Depreciation and amortization expense	**53**	68	**164**	221
Manufacturing interest expense [(A)]	**63**	56	**187**	170
Less:				
Income tax expense	**(14)**	(12)	**(25)**	(37)
EBITDA	**$ 96**	$ 106	**$ 313**	$ 292

(A) Manufacturing interest expense is the net interest expense primarily generated for borrowings that support the manufacturing and corporate operations, adjusted to eliminate intercompany interest expense with our Financial Services segment. The following table reconciles Manufacturing interest expense to the consolidated interest expense:

(in millions)	Quarters Ended July 31, 2016	Quarters Ended July 31, 2015	Nine Months Ended July 31, 2016	Nine Months Ended July 31, 2015
Interest expense	**$ 84**	$ 75	**$ 246**	$ 227
Less: Financial services interest expense	**21**	19	**59**	57
Manufacturing interest expense	**$ 63**	$ 56	**$ 187**	$ 170

(in millions)	Quarters Ended July 31, 2016	Quarters Ended July 31, 2015	Nine Months Ended July 31, 2016	Nine Months Ended July 31, 2015
EBITDA (reconciled above)	**$ 96**	$ 106	**$ 313**	$ 292
Less significant items of:				
Adjustments to pre-existing warranties [(A)]	**19**	3	**70**	(36)
North America asset impairment charges [(B)]	**11**	4	**16**	12
Brazil asset impairment charges [(C)]	**1**	3	**1**	3
Cost reduction and other strategic initiatives [(D)]	**5**	13	**11**	18
Gain on settlement [(E)]	**—**	—	**—**	(10)
Brazil truck business actions [(F)]	**—**	—	**—**	6
One-time fee received [(G)]	**—**	—	**(15)**	—
Total adjustments	**36**	23	**83**	(7)
Adjusted EBITDA	**$ 132**	$ 129	**$ 396**	$ 285
Adjusted EBITDA Margin	**6.3%**	5.1%	**6.5%**	3.7%

* For more detail on the items noted, please see the footnotes on slide 27.

Significant Items Included Within Our Results

(in millions)	Quarter Ended July 31,		Nine Months Ended July 31,	
Expense (income):	**2016**	**2015**	**2016**	**2015**
Adjustments to pre-existing warranties [(A)]	**19**	3	**70**	(36)
North America asset impairment charges [(B)]	**11**	4	**16**	12
Brazil asset impairment charges [(C)]	**1**	3	**1**	3
Cost reduction and other strategic initiatives [(D)]	**5**	13	**11**	18
Gain on Settlement [(E)]	**—**	—	**—**	(10)
Brazil truck business actions [(F)]	**—**	—	**—**	6
One-time fee received [(G)]	**—**	—	**(15)**	—
Accelerated Depreciation [(H)]	**—**	3	**2**	28

(A) Adjustments to pre-existing warranties reflect changes in our estimate of warranty costs for products sold in prior periods. Such adjustments typically occur when claims experience deviates from historic and expected trends. Our warranty liability is generally affected by component failure rates, repair costs, and the timing of failures. Future events and circumstances related to these factors could materially change our estimates and require adjustments to our liability. In addition, new product launches require a greater use of judgment in developing estimates until historical experience becomes available.

(B) In the third quarter and first nine months of 2016, the Truck segment recorded $11 million and $16 million, respectively, of asset impairment charges relating to certain long-lived assets. In the third quarter of 2015, certain long-lived assets were determined to be impaired, resulting in a charge of $3 million. In the first quarter of 2015, the Truck segment recorded $7 million of asset impairment relating to certain operating leases.

(C) In the third quarters of 2016 and 2015, we determined that $1 million and $3 million, respectively, of trademark asset carrying value was impaired.

(D) Cost reduction and other strategic initiatives relates to costs associated with the divestiture of non-strategic facilities and efforts to optimize our cost structure. In the third quarter of 2016, we incurred $5 million of restructuring charges related to the 2011 closure of our Chatham, Ontario plant, based on a ruling received from the Financial Services Tribunal in Ontario, Canada. In the third quarter of 2015, we incurred restructuring charges of $13 million related to cost reduction actions, including a reduction-in-force in the U.S. and Brazil.

(E) In the second quarter of 2015, the Global Operations segment recognized a $10 million net gain related to a settlement of a customer dispute. The $10 million net gain for the settlement included restructuring charges of $4 million.

(F) In the second quarter of 2015, our Global Operations segment recorded $6 million in inventory charges to right size the Brazil Truck business.

(G) In the first quarter of 2016, we received a $15 million one-time fee from a third party which was recognized in Other income, net.

(H) In the third quarter and the first nine months of 2015, the Truck segment recognized charges of $3 million and $28 million, respectively for the acceleration of depreciation of certain assets related to foundry and engine facilities.