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## **Navistar Reports First Quarter 1997 Earnings Of \$15 Million; 10 Cents Per Share And Positive Trends**

### **First Quarter Gross Margins and Order Receipts Up; Truck Production Scheduled to Increase with 500 Employees Recalled; Engine Business Runs Strong**

CHICAGO (February 13, 1997) - Navistar International Corporation (NYSE: NAV) today reported net income of \$15 million, or \$0.10 per common share for the first quarter ended January 31, 1997, compared to net income of \$22 million or \$0.20 per common share in the year-ago period.

Consolidated sales and revenues from the company's manufacturing and financial services operations in the quarter totaled \$1.3 billion, compared to \$1.4 billion in the first quarter of 1996.

Navistar's worldwide shipments of 20,400 medium (Class 5-7 G.V.W.) and heavy trucks (Class 8 G.V.W.) and school buses during the first quarter were 15.9 percent lower than a year ago.

"Demand for trucks is fairly strong by historical standards. In fact, our order receipts in the first quarter are up across the board in school buses and medium and heavy trucks compared with 1996," said John R. Horne, chairman, president and chief executive officer. "On the engine side, we continue to see strong demand due to our ability to deliver efficiencies and improvements in first-time quality."

Shipments of mid-range diesel engines to other original equipment manufacturers during the quarter totaled 41,000 units, an 8.4 percent increase over last year. Sales of parts were \$186 million, compared to \$177 million in the same period a year ago, an increase of 5.1 percent.

"We have made significant progress in implementing our truck strategy over the most recent quarters. Now we're also seeing encouraging signs of our focus on improving operating performance. On a quarter-to-quarter comparison, our gross margin is up, improving to 13.6 percent in 1997 from 12.2 percent," added Horne. "Our challenge for this year is to continue to aggressively drive our strategies and operating improvements."

#### **Recent Developments**

Due to increased demand for trucks, the company plans to boost production at its Springfield, Ohio truck assembly plant in the upcoming quarter. Production on the plant's medium truck and school bus line will increase from 224 to 266 units per day, with heavy truck production growing from 47 to 65 trucks per day. In line with those plans, Navistar intends to call back 500 employees in February.

"As order receipts began to increase, we were able to meet with the UAW and explain the need to increase production. Those conversations led us to an agreement that gave us the flexibility to call back workers as we revised our production schedules upward," Horne said.

During the first quarter, the company continued to make progress against its five-point truck strategy: focusing truck assembly plants, simplifying current product lines, investing in new product development, expanding its presence internationally and achieving competitive wages, benefits and productivity.

In line with the initiative to focus its plants, Navistar will begin production of its Paystarr severe service trucks during February at SST Truck Company, the Garland, Texas-based facility of the company's joint venture with TIC United Corp. Paystarr production is being moved out of Navistar's Chatham, Ontario plant, and that facility will be focused on production of conventional, heavy-duty trucks only.

Navistar also announced that it will cease production by mid-year 1997 of its Internationalr 8200 heavy trucks, which are currently produced at the Springfield plant. This initiative is in keeping with plans to reduce complexity at Springfield. Navistar will continue to fill customer orders that were received by the end of January 1997 for the International 8200 models.

In new product development, the company is scheduled to begin production next month in Chatham of the Internationalr 9100 truck. The International 9100 model is a heavy-duty truck designed to meet the needs of local and regional operators, with applications including beverage, refrigeration, less than truck load (LTL), hub-and-spoke freight pickup and general freight

delivery.

In simplifying its product line, the company rolled out its Diamond SPECT vehicles, which involve a simplified ordering system and manufacturing process. Diamond SPEC enables purchasers of Internationalr 9000 series premium conventional trucks to specify their vehicles using 11 categories of pre-engineered components.

"Since the roll out of the program, 75 percent of stock trucks purchased by our dealers have been Diamond SPEC vehicles," Horne noted.

In November, Navistar broke ground for its \$167 million truck assembly plant in Escobedo, Mexico. Production at the new plant is slated to begin in early 1998, with a daily production rate of 65 trucks on one shift achieved later in the year.

#### Outlook for 1997 Industry Demand

Navistar forecasts that industry demand for heavy trucks in the United States and Canada will reach 170,000 units in 1997, down 13 percent from 195,400 heavy trucks sold by the industry in 1996. "While we have not revised our forecast, current order receipts indicate that there may be some strength beyond this level," Horne noted.

The company also expects that industry demand for medium trucks in the United States and Canada will reach 112,000 units in 1997, a slight decrease from the 113,200 trucks delivered in 1996.

Navistar forecasts that industry demand for school buses in fiscal 1997 will remain relatively flat year over year with the 32,500 buses sold in 1996.

Navistar International Corporation, with headquarters in Chicago, is the leading North American producer of heavy and medium trucks and school buses. In the first quarter, Navistar continued as the sales leader in the combined United States and Canadian retail markets for medium and heavy trucks and school buses, achieving a 26.6 percent share, up from the 25.1 percent share the company held at the same time a year ago. The company also is a worldwide leader in the manufacture of mid-range diesel engines which are produced in a range of 175 to 300 horsepower.