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Navistar Reports Second Quarter 1997 Earnings of $30 Million, 31 Cents Per Share

Company To Raise Production Schedules in Response to Increased Industry Demand

CHICAGO (May 15, 1997) -- Navistar International Corporation (NYSE: NAV) today reported net income of $30 million, or $0.31 per common share for the second quarter ended April 30, 1997. This compares to net income of $26 million or $0.26 per common share in the same period last year.

Consolidated sales and revenues from the company's manufacturing and financial services operations in the second quarter totaled $1.6 billion, compared to $1.5 billion in the second quarter of 1996.

Navistar's worldwide shipments of 25,600 medium (Class 5-7 G.V.W.) and heavy trucks (Class 8 G.V.W.) and school buses during the second quarter were approximately the same as last year. Shipments of mid-range diesel engines to other original equipment manufacturers during the quarter totaled 48,300 units, a 19 percent increase over last year, while sales of service parts were $203 million, compared to $195 million in the same period a year ago, an increase of 4 percent.

"While shipments to date are consistent with last year's, we are encouraged by indications of increased industry demand in both truck and engine, and plan to raise production schedules to better position ourselves for the stronger demand," said John R. Horne, chairman, president and chief executive officer. "Our engine business, in particular, is showing real strength due to rising customer orders."

For the first six months of 1997, Navistar reported net income of $45 million, or $0.41 per common share, versus $48 million, or $0.46 per common share in the same period a year ago. Consolidated sales and revenues totaled $2.8 billion in the first six months, compared with $2.9 billion a year ago.

"In the first six months, manufacturing gross margin improved to 13.7 percent from 13.0 percent in the prior year, which we attribute to ongoing progress in implementing our truck strategy and improving operating performance," added Horne. "Looking ahead, we will continue to focus on our strategies to drive performance. With all the positive trends, it's now up to us to deliver."

Navistar contributed an additional $109 million to its hourly and salaried pension plans in the second quarter. This contribution is in addition to the $105 million that the company contributed in the first quarter of 1997. These amounts were the regularly planned contributions scheduled to be made during fiscal years 1997 and 1998. The timing of these contributions allows for their deduction on the company's 1996 tax return, creating a tax loss in that year which can be carried forward 15 years. As a result, previously incurred tax losses which expire in 1998 will most likely be utilized.

Recent Developments

In the third fiscal quarter, Navistar will increase production schedules at its Springfield, Ohio truck assembly plant, with production of its medium truck and school bus line increasing from 266 to 284 units per day; heavy truck production will be held at 65 units per day. Heavy-duty truck production was increased at the company's Chatham, Ontario truck plant from 62 to 100 units per day in late April. Engine production is also expected to increase at the company's Indianapolis, Indiana plant as individual bottlenecks are eliminated. During the second quarter, Navistar also made progress against its five-point truck strategy: focusing assembly plants, simplifying current product lines, investing in new product development, expanding its presence in Mexico and achieving competitive wages, benefits and productivity.

Efforts to focus assembly plants continued, as production of Navistar's Paystarr severe service trucks began in February at SST Truck Company, the Garland, Texas facility of the company's joint venture with TIC United Corp. SST is currently ramping up production to a 1997 rate of five severe service trucks per day. Paystar truck production was moved out of Navistar's Chatham, Ontario plant, freeing up space in the plant to focus on the production of conventional, heavy-duty trucks only.

Navistar introduced Diamond SPECT for its Internationalr 9000 series and Eagler trucks in late 1996 to simplify its product line through a streamlined ordering system. Demand for the company's Diamond SPEC vehicles continued to rise in the second quarter, accounting for 43 percent of all Class 8 premium conventional orders and almost all stock trucks ordered by dealers in April 1997.

In new product development, Navistar began production of the Internationalr 9100 truck in March. This new heavy-duty truck model is 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. By the end of this month, more than 200 of the 9100 models will be in customers' hands, with another 1,500 on order.

Navistar also announced that full production of its Pro Sleeperr Sky-RiseT began this month at its Chatham plant. Offering the tallest interior of the Pro Sleeper family of integrated sleeper cabs, the Sky-Rise model is available on Internationalr and Eagler 9200, 9300 and 9400 premium conventional models.

Construction of the company's new truck assembly plant in Escobedo, Nuevo Leon, Mexico, is on target with plans to begin production there in early 1998. Current operations, including contract manufacturing and 30 dealer locations established one year ago, have captured 9 percent of the Mexican truck market for the first half of 1997.

Navistar continues to have discussions with the United Auto Workers and hopes to build on the positive dialogue established with UAW representatives during the past six months.

Outlook for 1997 Industry Demand

Navistar forecasts that industry demand for heavy trucks in the United States and Canada will reach 180,000 units in fiscal 1997, compared with 195,400 heavy trucks sold by the industry in 1996. "However, given recent indications of continued strength in the truck market, there may be upside beyond our current forecast," Horne added.

The company 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 sold in 1996.

Navistar forecasts that industry demand for school buses in fiscal 1997 will fall slightly below the 32,500 buses sold in 1996.

Navistar International Corporation, with world headquarters in Chicago, is the leading North American producer of heavy and medium trucks and school buses. Navistar maintained its position as the sales leader in the combined United States and Canadian retail markets for medium and heavy trucks and school buses through the first six months, achieving a 26.8 percent share, up from the 26.2 percent share in the year-ago period. The company also is a worldwide leader in the manufacture of mid-range diesel engines which are produced in a range of 160 to 300 horsepower.