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Navistar's Engine Group Placed in New Wholly Owned Subsidiary as it Gears Up For Launch of New Generation of Diesel Engines

CHICAGO, July 24 -- Navistar International Corporation (NYSE: NAV), producer of International® brand trucks, buses and engines, today announced that its operating company, International Truck and Engine Corporation, is placing its engine group in a newly created wholly owned subsidiary in order to better showcase its growing role in overall operations.

(Photo: <http://www.newscom.com/cgi-bin/prnh/19991207/CGTU007>)

John R. Horne, Navistar chairman, president and chief executive officer, said the engine group will continue to serve both its OEM customers and the International truck group while achieving the stand-alone status that it now deserves.

"As our engine group has grown from a captive internal supplier to our truck group to a major supplier to Ford and a leader in developing clean, quiet and odorless diesel technology, its sales, earnings and margins have increased dramatically," Horne said. "However, it has been difficult for investors to value this business appropriately because it has been buried within what they generally perceive as a heavy truck business. The creation of a wholly owned subsidiary recognizes the increasingly important role that our cutting edge diesel engine technology plays in the overall success and continued growth of the value of this corporation."

Engine revenues in fiscal 1999 totaled \$2.4 billion, up from \$950 million in 1993, representing a compound annual growth rate of 16 percent. Reflecting its strong product lineup, growth continues to accelerate. In the three months ended April 30, shipments of mid-range diesel engines to other OEMs totaled 83,200 units, up 15 percent over a year earlier.

Horne said that Dan Ustian, president of the engine group of International Truck and Engine Corporation, will be president of the new subsidiary. No other personnel changes are planned. The name of the subsidiary will be International Engine Corporation.

Horne said the new direction positions the company's engine business "to take its place as the premier diesel engine business in the world."

"By operating as a separate business, Dan Ustian and his management team will be able to focus more on expanding the overall profitability of our engine business," Horne said. "They will be exploring new growth opportunities. Diesel engines continue to gain broad market exposure and more drivers are experiencing diesels' superior performance and fuel economy as well as the quality and reliability that have been diesel's underlying strength. The combination of the superior fuel economy of the diesel engine and the high cost of gasoline that we have experienced recently should ensure the continued dieselization of the heavy pick up truck market and push other gasoline applications toward diesel."

According to Ustian, the new subsidiary is positioned to leverage product and manufacturing technology globally, moving beyond the traditional commercial truck applications where diesel has been used.

Ustian said International developed a new line of high technology, high-performance diesel engines designed to meet stringent emissions regulations and explore new markets. These engines will help International and its customers meet reduced diesel emission standards in advance of the 2004 compliance deadline set by the Environmental Protection Agency.

"We are committed to developing leading-edge technology that builds on our history of industry innovations," Ustian said. "Diesel is truly a global fuel, available in developed and underdeveloped nations. Our vision is to bring clean diesel technology to a new and affordable level, helping transportation systems of all nations achieve their economic and clean air goals."

International's Indianapolis engine plant produced more than 300,000 diesel engines in 1999, working around the clock, seven days per week. It has been designated a "high volume" production facility that will focus on producing next-generation diesel engines for Ford Motor Company scheduled to be introduced in 2002. The company has a contract to design and manufacture high-technology diesel engines for Ford's over 8,500-pound GVW vehicles through 2012.

A new high-tech engine plant is under construction in Huntsville, Ala. to produce a new generation of V-6 diesel engines. A third engine facility in Melrose Park, Ill. produces premium International engines for International medium and severe service trucks and buses.

Additionally, a joint venture with Siemens Automotive involves the introduction of electro-hydraulic digital valve fuel injectors at a plant to be operated by Siemens in Richland County, S.C. These next generation diesel fuel injectors incorporate proprietary digital valve technology under license from Sturman Engine Systems, L.L.C.

Indianapolis Casting Corporation and the Waukesha Manufacturing Facility, both of which produce castings and other engine components, will also become part of International Engine Corporation.

Navistar International Corporation (NYSE: NAV) is the parent company of International Truck and Engine Corporation, a leading producer of medium trucks, school buses, heavy trucks, severe service vehicles, mid-range diesel engines and parts and service sold under the International® brand. The company also is a private label designer and manufacturer of diesel engines for the pickup truck, van and SUV markets. With world headquarters in Chicago, Navistar had 1999 sales and revenues of \$8.6 billion. Additional information can be found on the company's web site at www.nav-international.com. SOURCE Navistar International Corporation