



December 5, 2000

## **Navistar Reports That Excluding One-Time Charges and Adjustments, 2000 Earnings Per Share Rose to \$5.67 from \$5.52 in 1999; Continues to Pursue Strategies to Increase Scale, Boost Shareowner Value**

CHICAGO, Dec. 5 -- Navistar International Corporation (NYSE: NAV) today reported that net income for the fourth quarter, excluding an after-tax restructuring charge of \$190 million, totaled \$85 million, equal to \$1.41 per diluted common share, down from \$132 million, or \$2.04 per diluted common share a year earlier. Consolidated sales and revenues for the fourth quarter amounted to \$2.0 billion, compared with \$2.6 billion in 1999.

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

Fourth quarter income was impacted by extremely weak new and used truck pricing and lower new truck shipments. The company reported a loss of \$105 million, or \$1.77 per diluted common share for the three months ended October 31, 2000. This loss resulted from a charge against fourth quarter earnings of approximately \$300 million pretax to resize the salaried workforce for the anticipated 2001 industry demand and prepare for the launch of a series of new products. Major elements of the restructuring charge include costs associated with a corporate downsizing that eliminated 1,100 positions, asset writedowns, severance and exit costs related to the launch of new medium truck and diesel engines lines.

John R. Horne, Navistar chairman, president and chief executive officer, said fourth quarter results reflect the downturn in demand and the adverse pricing environment in the market but benefited from the reversal of \$54 million of profit sharing and incentive compensation accrued in prior quarters.

"Our mid-range diesel engine business continued to produce strong results, truck and engine parts revenues reached a new record and our truck group was able to increase overall market share," Horne said. "With the restructuring behind us and with the introduction of our new line of high performance medium trucks in February, we are well positioned for future growth. Relative to the short term, we, as well as the rest of the industry, have lowered production schedules to bring truck build rates in line with current demand. Pricing should begin to improve when industry dealer inventory is appropriate for current demand."

Consolidated sales and revenues for the year ended October 31, 2000 totaled \$8.5 billion, compared with \$8.6 billion a year earlier. Excluding the 2000 restructuring charge and 1999 tax valuation allowance adjustment, earnings for the year totaled \$349 million, equal to \$5.67 per diluted common share, compared with \$366 million or \$5.52 per diluted common share a year earlier. Net income in 2000, including the restructuring charge, amounted to \$159 million, or \$2.58 per diluted common share. Net income in 1999 amounted to \$544 million, or \$8.20 per diluted common share, which included a \$178 million reduction of the company's deferred tax asset valuation allowance.

The company's trucks are sold under the International® brand. Market share in the United States and Canada increased to 26.9 percent from 25.6 percent in 1999. Worldwide shipments in 2000 totaled 124,900 trucks and buses, of which 56,500 were medium trucks (Class 5-7 GVW), 23,400 school buses and 45,000 heavy trucks (Class 8 GVW), compared with 1999 shipments of 129,000 trucks and buses of which 55,300 were medium trucks, 21,700 school buses and 52,000 heavy trucks.

Shipments of mid-range diesel engines to other original equipment manufacturers during the year totaled 304,400, a gain of 6 percent over the 286,500 units shipped in 1999. Total worldwide engine shipments rose to 392,900 units from 374,200 in 1999.

Navistar is forecasting total truck industry volume in fiscal 2001 in the United States and Canada at 321,600 units, down from 440,000 units in fiscal 2000. Demand for heavy trucks is expected to reach 181,600 units, while demand for medium trucks is estimated at 108,000 units with school bus demand forecast at 32,000 units.

Horne cited three major factors for the drop in demand for new trucks -- rising diesel fuel prices and interest rates and a huge inventory of used trucks that have depressed prices for trucks being traded for new models.

"International is in a better inventory position than its competitors and our new high performance medium truck that will be introduced next spring should increase our appeal to segments of the market for which life-cycle value is important," Horne said. "Additionally, we will continue to pursue strategies and look for ways to increase our scale and add to shareowner value. 2001 will be a challenging year but it is an opportunity to show that this is a different company and that we will be successful."

Navistar International Corporation (NYSE: NAV) is the parent company of International Truck and Engine Corporation, a leading producer of mid-range diesel engines, medium trucks, school buses, heavy trucks, severe service vehicles, 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. Additional information can be found on the company's web site at [www.nav-international.com](http://www.nav-international.com).

## Forward Looking Statements

Statements contained in this news release that are not purely historical are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements regarding the company's expectations, hopes, beliefs and intentions on strategies regarding the future. It is important to note that the company's actual future results could differ materially from those projected in such forward-looking statements because of a number of factors, including but not limited to general economic, business and financing conditions, labor relations, governmental action, competitor pricing activity, expense volatility, and other risks detailed from time to time in Navistar's Securities and Exchange Commission filings. Navistar assumes no obligation to update the information included in this release.

The company's conference call with security analysts to discuss the earnings report will be webcast at 10 a.m. CST today. The webcast can be accessed through Navistar's website at <http://www.nav-international.com/investor/> and connecting to the link to the conference call. The conference call can also be accessed through <http://www.vcall.com> and typing in the NAV ticker symbol. Additional financial information can be found at <http://www.nav-international.com/investor/>, via the Financial and Investor Information link to the Overview page.

**NAVISTAR INTERNATIONAL CORPORATION  
AND CONSOLIDATED SUBSIDIARIES  
STATEMENT OF INCOME (UNAUDITED)  
(Millions of dollars, except per share data)**

	THREE MONTHS ENDED		TWELVE MONTHS ENDED	
	OCTOBER 31		OCTOBER 31	
	2000	1999	2000	1999
<b>Sales and Revenues</b>				
Sales of manufactured products	\$1,879	\$2,477	\$8,119	\$8,326
Finance and insurance revenue	83	68	288	256
Other income	11	12	44	60
<b>Total sales and revenues</b>	<b>1,973</b>	<b>2,557</b>	<b>8,451</b>	<b>8,642</b>
<b>Costs and expenses</b>				
Cost of products and services sold	\$1,590	\$2,014	\$6,774	\$6,862
Cost of products sold related to restructuring	20	-	20	-
All other restructuring costs	286	-	286	-
Postretirement benefits	(11)	57	146	216
Engineering and research expense	67	84	280	281
Sales, general and administrative expense	131	125	488	486
Interest expense	41	36	146	135
Other expense	18	28	87	71
<b>Total costs and expenses</b>	<b>2,142</b>	<b>2,344</b>	<b>8,227</b>	<b>8,051</b>
<b>Income/(loss) before income taxes</b>	<b>(169)</b>	<b>213</b>	<b>224</b>	<b>591</b>

Income tax benefit/(expense)	64	(81)	(65)	(47)
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Net income/(loss)	\$ (105)	\$ 132	\$ 159	\$ 544
Less: Restructuring charge and NOL adjustment	(190)	-	(190)	178
Net income without restructuring charge and NOL adjustment	\$ 85	\$ 132	\$ 349	\$ 366

Earnings/(loss) per share				
Basic	\$ (1.77)	\$ 2.08	\$ 2.62	\$ 8.34
Diluted	\$ (1.77)	\$ 2.04	\$ 2.58	\$ 8.20
Diluted earnings per share without restructuring charge and NOL adjustment	\$ 1.41	\$ 2.04	\$ 5.67	\$ 5.52
Average shares outstanding (millions)				
Basic	59.4	63.6	60.7	65.2
Diluted	59.4	64.9	61.5	66.4

NAVISTAR INTERNATIONAL CORPORATION  
AND CONSOLIDATED SUBSIDIARIES  
STATEMENT OF FINANCIAL CONDITION (UNAUDITED)  
(Millions of dollars)

AS OF OCTOBER 31  
2000      1999

ASSETS

Cash and cash equivalents	\$ 297	\$ 243
Marketable securities	204	333
	501	576
Receivables, net	2,542	2,818
Inventories	648	625
Property and equipment, net	1,779	1,475
Investments and other assets	316	264
Prepaid and intangible pension assets	297	274
Deferred tax asset, net	862	896
<b>Total assets</b>	<b>\$ 6,945</b>	<b>\$ 6,928</b>

LIABILITIES AND SHAREOWNERS' EQUITY

Liabilities		
Accounts payable, principally trade	\$ 1,096	\$ 1,399
Debt: Manufacturing operations	572	476
Financial services operations	2,058	1,791

Postretirement benefits liability	782	787
Other liabilities	1,123	1,184
Total liabilities	5,631	5,637
Commitments and contingencies		
Shareowners' equity		
Series D convertible junior preference stock	4	4
Common stock (75.3 million shares issued)	2,139	2,139
Retained earnings (deficit)	(143)	(297)
Accumulated other comprehensive loss	(177)	(197)
Common stock held in treasury, at cost	(509)	(358)
Total shareowners' equity	1,314	1,291
Total liabilities and shareowners' equity	\$6,945	\$6,928

The Statement of Financial Condition includes the consolidated financial results of the company's manufacturing operations with its wholly owned financial services operations. SOURCE Navistar International Corporation