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Navistar Reports Near-Record Results for Fiscal 1999; Sees Continued Strong Performance in 2000

Operating Income Best in History; Gross Margins at 18% With 42% ROE; Excluding the Change in Tax Valuation Allowance EPS Was \$5.52 Vs. \$3.47 in 1998

CHICAGO, Dec. 2 -- Navistar International Corporation (NYSE: NAV) today reported that net income for the fourth quarter and full fiscal year, excluding tax valuation allowance adjustments, were the second highest in history. Operating income for the year set a new record.

Net income in both 1999 and 1998 benefited from reductions to the company's deferred tax asset valuation allowance of \$178 million and \$45 million, respectively, which related to increased utilization of net operating loss carryforwards. The valuation allowance reductions were recorded in the third quarter of 1999 and in the fourth quarter of 1998. Excluding these benefits, net income for the three months ended October 31, 1999, totaled \$132 million, or \$2.04 per diluted common share, compared with \$99 million, or \$1.47 per diluted share in the fourth quarter of 1998; and net income for the year totaled \$366 million, equal to \$5.52 per diluted common share, compared with \$254 million, or \$3.47 per diluted common share a year earlier.

Excluding the tax valuation adjustments, net income for the full year and the fourth quarter were second only to the records set in 1979 when the company, then called International Harvester, earned \$370 million for the full year and \$148 million in the fourth quarter. Sales and revenues in 1979 totaled \$8.4 billion.

Including the effects of the tax valuation allowance reductions, net income for the year ended October 31, 1999, totaled \$544 million, or \$8.20 per diluted common share, compared with \$299 million, or \$4.11 per diluted common share reported a year earlier.

John R. Horne, Navistar chairman, president and chief executive officer, noted that 1999 operating income totaled a record \$837 million, up from \$634 million in 1998 and better than the previous record of \$827 million achieved in 1979.

Horne also noted that record earnings performance was achieved on modest gains in sales and revenues as manufacturing gross margin for the year increased to 18.0 percent from 15.3 percent in 1998. Fourth quarter margins rose to 19.1 percent from 18.2 percent in the fourth quarter of 1998. Return on shareowners' equity for 1999 amounted to 42.2 percent, compared with 38.9 percent in 1998.

Consolidated sales and revenues for the year totaled \$8.6 billion, up from \$7.9 billion a year earlier. Fourth quarter consolidated sales and revenues rose 14 percent to \$2.6 billion from \$2.2 billion in the fourth quarter of 1998.

Horne said that as expected, capacity constraints and a realignment of production schedules impacted revenue growth in the fourth quarter. A strong performance by the company's engine group made a substantial contribution to the overall results.

"Our margins improved primarily from increased productivity in our truck and engine groups and we anticipate this will continue," Horne said. "We believe we have rebuilt a company that is committed to and capable of achieving our ROE goals in all phases of the cycle -- not just at the peak."

Navistar's worldwide shipments in 1999 totaled 55,300 medium trucks, 21,700 school buses (Class 5-7 GVW) and 52,000 heavy trucks (Class 8 GVW), compared with 1998 shipments of 55,700 medium trucks, 21,800 school buses and 50,100 heavy trucks. Shipments of mid-range diesel engines to other original equipment manufacturers during the year totaled 286,500, a gain of 34 percent over the 213,700 units shipped in 1998. Total worldwide engine shipments rose to 374,200 units from 300,500 in 1998.

As previously announced, Navistar is forecasting total truck industry volume in fiscal 2000 in the United States and Canada at 405,000 units, down from 465,500 units in fiscal 1999. Demand for heavy trucks is expected to reach 245,000 units, while demand for medium trucks is estimated at 128,000 units with school bus demand forecast at 32,000 units.

"While we are forecasting lower industry volume for 1999, it is important to note that there has been a sea change in the truck industry and even at the forecasted level for 2000, demand will remain above the traditional levels of only a few years ago," Horne said.

Diesel Developments

In another area, Horne said the company made significant progress during the year with its Green Diesel Technology(SM) system, which was highlighted in a school bus demonstration before the U. S. Environmental Protection Agency. The demonstration showed that a school bus with Green Diesel Technology using low sulfur fuel achieved a reduction in nitrogen oxides emissions with 90 percent lower particulate emission than is found in a typical school bus powered by compressed natural gas. The company is also participating in a year-long demonstration in California to test the air-quality performance of the company's diesel engines using low sulfur fuel.

"We continue our commitment to be the leader in achieving clean-air goals through the development and use of innovative, proven diesel engine technology," Horne said. "Low sulfur diesel fuel is the enabler of the technology, and the California demonstration will help validate the clean-air value of diesel technology."

Navistar International Corporation, headquartered in Chicago, is a leading producer of heavy and medium trucks, school buses and mid-range diesel engines sold under the International® brand. The company is also a private label designer and manufacturer of diesel engines for the truck and van markets. Additional information can be found on the company's web site at www.navistar.com

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

	AS OF OCTOBER 31	
	1999	1998
ASSETS		
Cash and cash equivalents	\$243	\$390
Marketable securities	333	674
	576	1,064
Receivables, net	2,818	2,196
Inventories	625	507
Property and equipment, net	1,475	1,106
Investments and other assets	264	167
Prepaid and intangible pension assets	274	237
Deferred tax asset, net	896	912
Total assets	\$6,928	\$6,189
LIABILITIES AND SHAREOWNERS' EQUITY		
Liabilities		
Accounts payable, principally trade	\$1,399	\$1,265
Debt: Manufacturing operations	476	450
Financial services operations	1,791	1,672
Postretirement benefits liability	787	934
Other liabilities	1,184	1,099
Total liabilities	5,637	5,420
Commitments and contingencies		
Shareowners' equity		
Series D convertible		
junior preference stock	4	4
Common stock		
(75.3 million shares issued)	2,139	2,139
Common stock held		
in treasury, at cost	(358)	(214)
Retained earnings (deficit)	(297)	(829)
Accumulated other comprehensive loss	(197)	(331)
Total shareowners' equity	1,291	769
Total liabilities		
and shareowners' equity	\$6,928	\$6,189

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

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

	THREE MONTHS ENDED OCTOBER 31		TWELVE MONTHS ENDED OCTOBER 31	
	1999	1998	1999	1998
Sales and Revenues				
Sales of				
manufactured				
products	\$2,477	\$2,173	\$8,326	\$7,629
Finance and				
insurance revenue	68	52	256	201
Other income	13	17	65	55
Total sales and revenues	2,558	2,242	8,647	7,885
Costs and expenses				
Cost of products and services sold	2,014	1,791	6,862	6,498
Postretirement benefits	57	46	216	174
Engineering and research expense	84	68	281	192
Marketing and administrative expense	125	133	486	427
Interest expense	36	28	135	105
Other expense	29	16	76	79
Total costs and expenses	2,345	2,082	8,056	7,475
Income before income taxes	213	160	591	410
Income tax expense	81	16	47	111
Net income	132	144	544	299
Less dividends on Series G Preferred stock	--	--	--	11
Net income applicable to common stock	\$132	\$144	\$544	\$288
Earnings per share				
Basic	\$2.08	\$2.16	\$8.34	\$4.16
Diluted	\$2.04	\$2.14	\$8.20	\$4.11
Average shares outstanding (millions)				
Basic	63.6	66.9	65.2	69.1
Diluted	64.9	67.4	66.4	70.0

The Statement of Income includes the consolidated financial results of the company's manufacturing operations with its wholly owned financial services operations.