



February 16, 2001

Navistar Reports First Quarter Results as Truck Market Remains Soft; Lowers Forecast of 2001 Total Industry Demand to 280,000 Units

CHICAGO, Feb. 16 -- In line with analyst expectations, Navistar International Corporation (NYSE: NAV), producer of International® brand trucks, school buses and engines, today reported a first quarter loss as industry demand for new trucks remained soft.

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

The company said it lost \$35 million, or \$0.58 per diluted common share for the quarter ended January 31, 2001, compared with record earnings of \$70 million, or \$1.10 per diluted common share in the first quarter a year ago. The consensus estimate of Wall Street security analysts was that the company would lose \$0.61 cents per share.

Consolidated sales and revenues from the company's manufacturing and financial services operations for the first quarter totaled \$1.5 billion, compared with \$2.2 billion in the first quarter of 2000.

John R. Horne, Navistar chairman, president and chief executive officer, said that continued weak, new and used truck pricing and lower new truck shipments impacted results in the first quarter.

"While we have made fundamental changes in the way we do business and we look for further productivity improvements in our core businesses, first quarter results were influenced by challenges that are beyond the industry," Horne said. "Extremely low used truck values, record high diesel fuel prices and high interest rates caused many truck buyers to defer purchases."

Horne said that until dealer inventory is at levels that reflect current demand, the company intends to keep production levels below retail sales demand. He added that dealer inventory adjustments should be completed by the end of the second quarter or into the third quarter.

Horne said that the company has lowered its forecast for total truck industry volume in fiscal 2001 in the United States and Canada to 280,000 units, down from the 321,600 units it forecast last December. Demand for medium trucks is unchanged at 108,000 units but demand for heavy trucks should decline to 144,000 units, down from the previous forecast of 181,600 units, and school bus demand is forecast at 28,000 units, down from 32,000 units.

"While leading indicators such as truck tonnage seem to be stabilizing, the year will still be challenging with real improvement expected in the fourth quarter," Horne said.

Turning to the future, Horne said two major events announced within the last week overshadow first quarter results and more accurately reflect the promising long-term outlook for the company.

"Within a period of seven days, we announced the most significant joint venture in our history and we held the biggest new product introduction in the past 25 years" Horne said.

On February 12, Navistar and Ford announced that they intend to form a joint venture to build commercial trucks in Mexico and distribute service parts. The two companies also will explore opportunities for greater cooperation in diesel engines for potential applications in Ford's full range of truck products.

"This new alliance with our largest customer will yield tremendous benefits of scale necessary to compete in today's consolidating marketplace." Horne said. "It gives us the opportunity to provide our dealers and customers with a broader array of products and services."

On February 13, the company introduced the industry's first High Performance truck before 2,500 customers, dealers and financial analysts.

"With these trucks, International will set a new benchmark in delivering to customers the lowest operating and maintenance costs and highest resale value," Horne said. "Our new lineup are designed and built to perform on a higher level and the initial reaction from our dealers and customers is extremely gratifying."

The high performance medium truck will be available to customers in April.

Navistar International Corporation (NYSE: NAV) is a leading producer of medium trucks, school buses, heavy trucks, severe service vehicles 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, van and SUV markets. With world headquarters in Chicago, Navistar had sales and revenues of \$8.5 billion in 2000. Additional information can be found on the company's web site at www.navistar.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. 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
January 31**

	2001	2000
Sales and Revenues		
Sales of manufactured products	\$1,433	\$2,086
Finance and insurance revenue	79	69
Other income	10	11
Total sales and revenues	1,522	2,166
Costs and expenses		
Cost of products and services sold	\$1,276	\$1,748
Postretirement benefits	46	48
Engineering and research expense	65	71
Sales, general and administrative expense	121	124
Interest expense	41	35
Other expense	29	27
Total costs and expenses	1,578	2,053
Income/(loss) before income taxes	(56)	113
Income tax benefit/(expense)	21	(43)
Net income (loss)	\$(35)	\$70
Earnings/(loss) per share		
Basic	\$(0.58)	\$1.12
Diluted	\$(0.58)	\$1.10
Average shares outstanding (millions)		
Basic	59.5	62.6
Diluted	59.5	63.7

The Statement of Income 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 FINANCIAL CONDITION (UNAUDITED)
(Millions of dollars)

	AS OF JANUARY 31	
	2001	2000
ASSETS		
Cash and cash equivalents	\$432	\$461
Marketable securities	127	216
	559	677
Receivables, net	1,762	2,339
Inventories	705	711
Property and equipment, net	1,816	1,518
Investments and other assets	271	219
Restricted cash	406	47
Prepaid and intangible pension assets	304	284
Deferred tax asset, net	911	800
Total assets	\$6,734	\$6,595
LIABILITIES AND SHAREOWNERS' EQUITY		
Liabilities		
Accounts payable, principally trade	\$993	\$1,257
Debt: Manufacturing operations	645	492
Financial services operations	1,881	1,813
Postretirement benefits liability	793	795
Other liabilities	1,142	921
Total liabilities	5,454	5,278
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)	(178)	(234)
Accumulated other comprehensive loss	(176)	(192)
Common stock held in treasury, at cost	(509)	(400)
Total shareowners' equity	1,280	1,317
Total liabilities and shareowners' equity	\$6,734	\$6,595

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