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Navistar Reports Third Quarter 1997 Earnings of \$35 Million, 38 Cents Per Share

CHICAGO (August 14, 1997) -- Navistar International Corporation (NYSE: NAV) today reported net income of \$35 million, or \$0.38 per common share for the third quarter ended July 31, 1997. This compares to net income of \$17 million, or \$0.13 per common share in the same period last year. Consolidated sales and revenues from the company's manufacturing and financial services operations in the third quarter totaled \$1.6 billion, compared to \$1.4 billion in the third quarter of 1996. During the third quarter, Navistar's worldwide shipments of 26,200 medium trucks and school buses (Class 5-7 GVW) and heavy trucks (Class 8 GVW) increased 13 percent versus last year. Shipments of mid-range diesel engines to other original equipment manufacturers during the quarter totaled 41,900 units, a 16 percent increase over last year, while sales of service parts were \$197 million, compared to \$185 million in the same period a year ago, an increase of more than 6 percent. Commenting on the quarter, John R. Horne, chairman, president and chief executive officer, said, "We continue to see a strong truck and engine market, and we plan to raise production schedules in the fourth quarter to meet increased demand." Through the first nine months of fiscal 1997, Navistar reported net income of \$80 million, or \$0.80 per common share, versus \$65 million, or \$0.59 per common share in the same period a year ago. Consolidated sales and revenues totaled \$4.4 billion for the nine months, compared with \$4.3 billion a year ago.

Manufacturing gross margin for the nine month period increased to 13.8 percent from 12.8 percent in the prior year. Commenting on the improvement, Horne said, "Our progress toward our strategies and heightened focus on operational excellence are delivering measurable improvement as we fundamentally change the way we do business at Navistar." As announced yesterday, Navistar and UAW leadership have reached tentative agreement on a master contract extension through October 31, 2002 that would enable the company to build its next generation truck (NGT) at Springfield, Ohio and continue to operate its Indianapolis foundry, ensuring Navistar's competitiveness well into the future. This agreement is subject to ratification by the UAW membership, which is scheduled for this weekend. The NGT program will be reviewed at the August board meeting with funding to be approved at the October meeting. Also announced yesterday, Ford Motor Company and Navistar reached a tentative agreement -- subject to approval by the respective Boards -- for Navistar to continue to supply diesel engines for Ford's F-Series pickup trucks and Econoline vans. Under the terms of the proposed agreement, Navistar will produce a newly designed and advanced technology engine for Ford. The new 10-year agreement would be effective beginning with model year 2003. Added Horne, "Customer demand for our advanced engines is at an all-time high and, with this tentative long-term agreement with Ford, will remain strong into the next decade." Navistar's current agreement with Ford covers the 7.3 liter Power Stroke V-8 diesel engine through model year 2000, and it will be extended through model year 2002. In 1997, Navistar expects to ship 178,000 engines to Ford, a 14 percent increase over 1996.

Recent Developments: Production Increases

In the fourth quarter, Navistar will increase production schedules to meet demand. In early September, the company's Springfield, Ohio truck assembly plant will raise production on its medium truck and school bus line to 300 from 284 units per day; heavy truck production will increase to 80 from 65. Production will remain at 100 units per day at the Chatham, Ontario premium conventional heavy-truck assembly plant. Engine production at the company's Indianapolis, Indiana plant will increase to 933 from 830 units per day by the end of August, facilitated by ongoing improvements across the Engine & Foundry Group - most notably efficiencies in man hours per engine and gains in uptime and first-time yield. To more closely align the interests of management and shareowners, on June 16, 1997, Navistar's board of directors approved the terms of an Executive Stock Ownership Program which requires the company's top 30 executives to make a substantial investment of personal funds in Navistar common stock, based on a percentage of their compensation. To date, all have met or exceeded the plan's investment requirements. During the third quarter, Navistar made further progress toward its five-point truck strategy: focusing assembly plants, simplifying current product lines, investing in new product development, expanding its presence internationally and achieving competitive wages, benefits and productivity. Introduced in late 1996 to simplify its International 9000 series and the Eagler product line, Navistar's Diamond SPEC ordering system continued to account for almost all stock trucks ordered by dealers through the nine months. Commenting on new product development, Horne added, "We are encouraged by positive customer response to both our Pro Sleeperr Skyrise, which targets the long-haul customer, and the new International 9100 truck, which meets the needs of regional haulers." To date, over 3,100 of the International 9100 trucks have been ordered. The company's total U.S. and Canadian Class 8 market share is up to 17.8 percent for the nine months, compared to 17.1 percent in the same period a year ago.

The company's new truck assembly plant in Escobedo, Nuevo Leon, Mexico, is on target with construction and scheduled to begin production in early 1998. Through the first nine months of fiscal 1997, Navistar has captured 10 percent of the Mexican truck market, up from 5 percent in 1996. In addition, the company recently reached a three-year agreement with Navistar's Australian licensee, International Trucks of Australia Ltd. (ITAL), a subsidiary of IVECO. In addition to supply, license and technical provisions, the agreement covers selected fully assembled truck models imported from the U.S. to complement ITAL's current product offering in Australia.

Outlook for 1997 Industry Demand

Navistar revised its forecast on industry demand for heavy trucks in the United States and Canada to 190,000 units in fiscal 1997, compared with 195,400 heavy trucks sold by the industry in 1996. Industry demand for medium trucks in the United States and Canada is now expected to reach 114,000 units in 1997, a slight increase from the 113,200 trucks sold in 1996, and demand for school buses in fiscal 1997 is expected to be 30,500 versus 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 nine months, achieving a 27.1 percent share that is consistent with the same period a year ago. 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.