### International Newsroom

#### **Navistar Reports Second Quarter Results**

- Navistar reports net loss of \$297 million on revenues of \$2.7 billion
- Results include \$151 million in asset impairment charges, primarily related to Brazil operations
- EBITDA exceeds guidance, excluding one-time items and preexisting warranty expense
- Orders and retail market share for medium- and heavy-duty up sequentially and year-over-year
- Company reduces structural costs by \$92 million
- Ends quarter with \$1.06 billion in manufacturing cash, in line with guidance
- Finishes quarter with 82 percent increase in order backlog year-overyear

LISLE, III., June 5, 2014 /PRNewswire/ -- Navistar International Corporation (NYSE: NAV) today announced a second quarter 2014 net loss of \$297 million, or \$3.65 per diluted share, compared to a second quarter 2013 net loss of \$374 million, or \$4.65 per diluted share. Revenues in the quarter were \$2.7 billion, up from \$2.5 billion in the second quarter of 2013. Second quarter 2014 results include \$151 million in intangible asset impairment charges and a \$29 million tax valuation allowance, both primarily related to declines in actual and forecasted results for the company's operations in Brazil.

## NAVISTAR

"We continue to make progress with our 'Drive to Deliver' and we have seen a number of encouraging signs this quarter, including improvements in our market share and strong order backlog, positive trends in our warranty expense and spend, and higher than expected structural cost reductions," said Troy A. Clarke, Navistar president and chief executive officer. "This is the third consecutive quarter where we've met or exceeded our EBITDA guidance and we have now met or exceeded our cash guidance for seven straight quarters."

Second quarter 2014 EBITDA was a loss of \$119 million, which included the \$151 million intangible asset impairment charge, \$42 million in pre-existing warranty adjustments and \$8 million in restructuring charges. As a result, adjusted EBITDA was \$82 million, which exceeded the company's second quarter guidance of between \$25 million to \$75 million, excluding pre-existing warranty and one-time items. Navistar finished the second quarter 2014 with \$1.06 billion in manufacturing cash, cash equivalents and marketable securities, in line with its cash guidance range of \$1.0 billion to \$1.1 billion.

"We still have much work to do in our core North America operations as well as in Brazil, where we are taking actions to lower our breakeven point to offset the ongoing economic challenges in that country," Clarke added. "Overall, we feel good about our steady gains and positive momentum."

Second quarter highlights include sequential and year-over-year improvements both in orders and retail market share for medium- and heavy-duty trucks. The company's medium-duty Class 6/7 retail market share was 26.4 percent for the quarter, up from 17.3 percent in the first quarter of 2014 and 25.8 percent in the second quarter of 2013. Combined Class 8 retail market share was 14.9 percent for the quarter, up from 13.9 percent in the first quarter of 2014 and 14.5 percent in the second quarter of 2013. Navistar's combined Class 6-8 truck and bus retail market share for the second quarter was 18.5 percent, and the company ended the period with an order backlog 82 percent higher than this time one year ago.

Navistar reduced its year-over-year structural costs in the quarter by an additional \$92 million, including \$75 million in savings from selling, general, and administrative (SG&A) expense and \$17 million in reduced engineering

costs. Last month, the company initiated additional restructuring activities in North America, which will be completed by the end of this fiscal year and are expected to generate \$40 million in SG&A savings annually starting in 2015.

Earlier in the quarter, Navistar announced its plans to consolidate mid-range engine manufacturing by idling its Huntsville, Ala. mid-range engine plant and moving production to Melrose Park, Ill. Those plans remain on track and once completed later this summer, are expected to reduce Navistar's operating costs by more than \$22 million annually.

The company also announced during the second quarter its plans to add selective catalytic reduction (SCR) emissions technology to the company's proprietary 9- and 10-liter, high horsepower inline six-cylinder (I-6) engines. That launch is on track and progressing well, with first customer deliveries slated for later this summer. Test units have been running for the past several months and initial results indicate an 8-12 percent improvement in fuel economy, depending on the application.

Navistar's warranty spend improved in the second quarter, down \$23 million—or 13 percent—year-over-year. This improvement was driven by lower costs per repair, fewer EGR engines in the warranty period and ongoing quality improvements for its EGR engines as well as new product launches with SCR engines.

Also during the quarter, the company completed the sale of \$411 million of new convertible notes due in April 2019. The net proceeds from the issuance were used to repurchase the majority of the convertible notes that come due in October 2014. The company anticipates repaying the \$166 million balance with cash on hand. As a result, the company will have no major debt maturities come due until 2017.

The company provided the following guidance updates:

- Raised Class 8 industry forecast for FY2014 (U.S./Canada) to 225,000-235,000.
- Increased FY2014 structural cost savings goal to \$250 million, versus its previous goal of \$175 million.
- Projects Q3 EBITDA between \$75 million \$125 million, excluding preexisting warranty and one-time items.
- Projects between \$950 million and \$1.05 billion in manufacturing cash,
   cash equivalents and marketable securities at the end of Q3.

"We saw our market share bounce back strongly in the second quarter and we look to build on this in the second half of our fiscal year," Clarke said. "We also expect our financial performance will continue to build quarter-over-quarter, with third quarter results better than second quarter, and our fourth quarter performance better than the third quarter. We are progressing and building momentum."

## **Summary of Financial Results:**

		Seco	nd Quarte	er	First Half			
(in millions, except per share data) Sales and revenues, net		2014		2013		2014	2013	
		2,746	\$	2,526	\$	4,954	\$	5,163
Segment Results:								
North America Truck	\$	(134)	\$	(303)	\$	(341)	\$	(404)
North America Parts		126		114		230		231
Global Operations		(150)		32		(183)		22
Financial Services		24		19		47		41
oss from continuing operations, net of tax(A)	\$	(298)	\$	(353)	\$	(547)	\$	(467)
et loss(A)		(297)		(374)		(545)		(497)
iluted loss per share from continuing								
operations(A)	\$	(3.66)	\$	(4.39)	\$	(6.73)	\$	(5.82)
Diluted loss per share(A)		(3.65)		(4.65)		(6.70)		(6.19)

<sup>(</sup>A) Amounts attributable to Navistar International Corporation.

**North America Truck** — For the second quarter 2014, the North America truck segment recorded a loss of \$134 million, compared with a year-ago second quarter loss of \$303 million. The year-over-year improvement was

primarily driven by lower charges for adjustments related to pre-existing warranties and increased structural cost savings. Chargeouts for traditional markets were up 25 percent, reflecting a 49 percent increase of Class 8 heavy-duty trucks and a 20 percent increase in Class 6/7 medium-duty trucks.

North America Parts — For the second quarter 2014, the North America parts segment recorded a profit of \$126 million, compared to a year-ago second quarter profit of \$114 million. Parts revenues in the quarter declined by 2 percent due to lower military sales, which were partially offset by higher commercial parts sales. However, profit improved by 11 percent year-over-year driven by lower SG&A expenses resulting from the company's ongoing cost-reduction initiatives and the stronger performance in commercial markets.

Global Operations — For the second quarter 2014, global operations recorded a loss of \$150 million compared to a year-ago second quarter profit of \$32 million. The year-over-year decline was primarily driven by asset impairment charges related to declines in actual and forecasted results for the company's operations in Brazil. Also, second quarter 2013 results included a \$28 million gain from the sale of the company's interest in the Mahindra joint ventures.

**Financial Services** — For the second quarter 2014, the financial services segment recorded a profit of \$24 million compared to second quarter 2013 profit of \$19 million. The year-over-year increase was due primarily to lower structural costs resulting from the company's ongoing cost-reduction initiatives and intercompany loans.

## Forward-Looking Statement

Information provided and statements contained in this report that are not purely historical are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, Section 21E of the Securities Exchange Act of 1934, as amended, and the Private Securities Litigation Reform Act of 1995. Such forward-looking statements only speak as

of the date of this report and the company assumes no obligation to update the information included in this report. Such forward-looking statements include information concerning our possible or assumed future results of operations, including descriptions of our business strategy. These statements often include words such as "believe," "expect," "anticipate," "intend," "plan," "estimate," or similar expressions. These statements are not guarantees of performance or results and they involve risks, uncertainties, and assumptions. For a further description of these factors, see the risk factors set forth in our filings with the Securities and Exchange Commission, including our annual report on Form 10-K for the fiscal year ended October 31, 2013. Although we believe that these forward-looking statements are based on reasonable assumptions, there are many factors that could affect our actual financial results or results of operations and could cause actual results to differ materially from those in the forward-looking statements. All future written and oral forward-looking statements by us or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to above. Except for our ongoing obligations to disclose material information as required by the federal securities laws, we do not have any obligations or intention to release publicly any revisions to any forward-looking statements to reflect events or circumstances in the future or to reflect the occurrence of unanticipated events.

## Navistar International Corporation and Subsidiaries Consolidated Statements of Operations (Unaudited)

	Three Month	s Ended April 30,	Six Months	Ended April 30,	
(in millions, except per share data)	2014 2013		2014	2013	
Sales and revenues					
Sales of manufactured products, net	2,708	2,487	4,877	5,085	
Finance revenues	38	39	77	78	
Sales and revenues, net	2,746	2,526	4,954	5,163	
Costs and expenses					
Costs of products sold	2,468	2,363	4,482	4,649	
Restructuring charges	8	\$ 6	\$ 11	\$ 8	
Asset impairment charges	151	_	169	_	
Selling, general and administrative expenses	237	312	476	597	
Engineering and product development costs	83	100	173	211	
Interest expense	74	90	156	164	

Total costs and expenses		3,013	. <u>-</u>	2,852	 5,473	 5,572
Equity in income of non-consolidated affiliates		3		4	3	3
Loss from continuing operations before income taxes		(264)	. <u>-</u>	(322)	 (516)	 (406)
Income tax expense		(23)		(22)	(11)	(37)
Loss from continuing operations		(287)	. <u>-</u>	(344)	 (527)	 (443)
Income (loss) from discontinued operations, net of tax		1		(21)	 2	 (30)
Net loss		(286)	<u></u>	(365)	 (525)	 (473)
Less: Net income attributable to non-controlling interests		11		9	20	24
Net loss attributable to Navistar International Corporation	\$	(297)	\$	(374)	\$ (545)	\$ (497)
Amounts attributable to Navistar International Corporation com- shareholders:	mon					
Loss from continuing operations, net of tax	\$	(298)	\$	(353)	\$ (547)	\$ (467)
Income (loss) from discontinued operations, net of tax		1		(21)	 2	 (30)
Net loss	\$	(297)	\$	(374)	\$ (545)	\$ (497)
Earnings (loss) per share: Basic:						
Continuing operations	\$	(3.66)	\$	(4.39)	\$ (6.73)	\$ (5.82)
Discontinued operations		0.01		(0.26)	0.03	(0.37)
	\$	(3.65)	\$	(4.65)	\$ (6.70)	\$ (6.19)
Diluted:						
Continuing operations	\$	(3.66)	\$	(4.39)	\$ (6.73)	\$ (5.82)
Discontinued operations		0.01		(0.26)	0.03	(0.37)
	\$	(3.65)	\$	(4.65)	\$ (6.70)	\$ (6.19)
Weighted average shares outstanding:						
Basic		81.4		80.4	81.3	80.3
Diluted		81.4		80.4	81.3	80.3

(8)

(19)

(57)

Other expense (income), net

#### Navistar International Corporation and Subsidiaries Consolidated Balance Sheets

	April 30,	October 31,		
(in millions, except per share data)	2014	2013		
ASSETS	(Unaudited)			
Current assets				
Cash and cash equivalents	\$ 594	\$ 755		
Marketable securities	534	830		
Trade and other receivables, net	630	737		
Finance receivables, net	1,713	1,597		
Inventories	1,384	1,210		
Deferred taxes, net	39	72		
Other current assets	228	258		
Total current assets	5,122	5,459		
Restricted cash	112	91		
Trade and other receivables, net	28	29		
Finance receivables, net	311	338		
Investments in non-consolidated affiliates	69	77		
Property and equipment (net of accumulated depreciation and amortization of \$2,494 and \$2,440, respectively)	1,693	1,741		
Goodwill	38	184		
Intangible assets (net of accumulated amortization of \$102 and \$97, respectively)	104	138		
Deferred taxes, net	153	159		
Other noncurrent assets	97	99		
Total assets	\$ 7,727	\$ 8,315		

LIABILITIES and STOCKHOLDERS' DEFICIT		· ·
Liabilities		
Current liabilities		
Notes payable and current maturities of long-term debt	\$ 956	\$ 1,163
Accounts payable	1,569	1,502
Other current liabilities	1,527	1,596
Total current liabilities	4,052	4,261
Long-term debt	4,144	3,922
Postretirement benefits liabilities	2,496	2,564
Deferred taxes, net	14	33
Other noncurrent liabilities	1,093	1,136
Total liabilities	11,799	11,916
Redeemable equity securities	2	4
Stockholders' deficit		
Series D convertible junior preference stock	3	3
Common stock (86.8 shares issued, \$0.10 par value per share and 220 shares authorized, all at both dates)	9	9
Additional paid-in capital	2,502	2,477
Accumulated deficit	(4,608)	(4,063)
Accumulated other comprehensive loss	(1,788)	(1,824)
Common stock held in treasury, at cost (5.5 and 6.3 shares, respectively)	(226)	(251)
Total stockholders' deficit attributable to Navistar International Corporation	(4,108)	(3,649)
Stockholders' equity attributable to non-controlling interests	34	44
Total stockholders' deficit	(4,074)	(3,605)
Total liabilities and stockholders' deficit	\$ 7,727	\$ 8,315

#### Navistar International Corporation and Subsidiaries Condensed Consolidated Statements of Cash Flows (Unaudited)

	Six Months Ended April 30,			
(in millions)	2014	2013		
Cash flows from operating activities	_			
Net loss	(525)	(473)		
Adjustments to reconcile net loss to net cash used in operating activities:				
Depreciation and amortization	122	164		
Depreciation of equipment leased to others	63	78		
Deferred taxes, including change in valuation allowance	(2)	20		
Asset impairment charges	169	8		
Gain on sales of investments and businesses, net	_	(13)		
Amortization of debt issuance costs and discount	27	31		
Stock-based compensation	12	14		
Provision for doubtful accounts, net of recoveries	9	13		
Equity in income of non-consolidated affiliates, net of dividends	7	8		
Write-off of debt issuance cost and discount	1	6		
Other non-cash operating activities	(15)	(54)		
Changes in other assets and liabilities, exclusive of the effects of businesses disposed	(194)	155		
Net cash used in operating activities	(326)	(43)		
Cash flows from investing activities				
Purchases of marketable securities	(788)	(759)		
Sales of marketable securities	902	358		
Maturities of marketable securities	182	134		
Net change in restricted cash and cash equivalents	(21)	44		
Capital expenditures	(50)	(107)		
Purchases of equipment leased to others	(108)	(295)		
Proceeds from sales of property and equipment	20	19		
Proceeds from sales of affiliates	5	30		
Net cash provided by (used in) investing activities	142	(576)		

Cash flows from financing activities		
Proceeds from issuance of securitized debt	152	200
Principal payments on securitized debt	(81)	(402)
Proceeds from issuance of non-securitized debt	473	339
Principal payments on non-securitized debt	(509)	(374)
Net increase in notes and debt outstanding under revolving credit facilities	3	80
Principal payments under financing arrangements and capital lease obligations	(14)	(51)
Debt issuance costs	(13)	(14)
Proceeds from financed lease obligations	34	263
Issuance of common stock	_	14
Proceeds from exercise of stock options	18	8
Dividends paid by subsidiaries to non-controlling interest	(30)	(25)
Other financing activities		4
Net cash provided by financing activities	33	42
Effect of exchange rate changes on cash and cash equivalents	(10)	(5)
Decrease in cash and cash equivalents	(161)	(582)
Cash and cash equivalents at beginning of the period	755	1,087
Cash and cash equivalents at end of the period	\$ 594	\$ 505

#### Navistar International Corporation and Subsidiaries Segment Reporting (Unaudited)

We define segment profit (loss) as net income (loss) from continuing operations attributable to Navistar International Corporation excluding income tax benefit (expense). The following tables present selected financial information for our reporting segments:

									C	Corporate	
	No	rth America	Nor	th America		Global		nancial		and	
(in millions)		Truck		Parts	0	perations	Se	rvices(A)	EI	iminations	 Total
Three Months Ended April 30, 2014											
External sales and revenues, net	\$	1,680	\$	611	\$	417	\$	38	\$	_	\$ 2,746
Intersegment sales and revenues		129		12		6		19		(166)	_
Total sales and revenues, net	\$	1,809	\$	623	\$	423	\$	57	\$	(166)	\$ 2,746
Income (loss) from continuing operations attributable to NIC, net of tax	\$	(134)	\$	126	\$	(150)	\$	24	\$	(164)	\$ (298)
Income tax expense		_		_		_		_		(23)	(23)
Segment profit (loss)	\$	(134)	\$	126	\$	(150)	\$	24	\$	(141)	\$ (275)
Depreciation and amortization	\$	69	\$	4	\$	8	\$	11	\$	7	\$ 99
Interest expense		_		_		_		17		57	74
Equity in income of non-consolidated											
affiliates		1		1		1		_		_	3
Capital expenditures(B)		26		1		1		_		1	29

(in millions)	No	rth America Truck	Nor	th America Parts	_ 0	Global perations	inancial ervices(A)	Corporate and iminations	 Total
Three Months Ended April 30, 2013									
External sales and revenues, net	\$	1,395	\$	621	\$	471	\$ 39	\$ _	\$ 2,526
Intersegment sales and revenues		120		14		22	19	 (175)	 
Total sales and revenues, net	\$	1,515	\$	635	\$	493	\$ 58	\$ (175)	\$ 2,526
Income (loss) from continuing operations		<u> </u>							
attributable to NIC, net of tax	\$	(303)	\$	114	\$	32	\$ 19	\$ (215)	\$ (353)
Income tax expense						_		(22)	 (22)
Segment profit (loss)	\$	(303)	\$	114	\$	32	\$ 19	\$ (193)	\$ (331)
Depreciation and amortization	\$	114	\$	4	\$	9	\$ 10	\$ 5	\$ 142
Interest expense		_		_		_	17	73	90

Equity in income (loss) of non-						
consolidated affiliates	3	2	(1)	_	_	4
Capital expenditures(B)	28	_	4	1	2	35

n millions)	No	rth America Truck	No	rth America Parts	o	Global perations		inancial ervices(A)		Corporate and iminations		Total
ix Months Ended April 30, 2014												
External sales and revenues, net	\$	2,957	\$	1,208	\$	712	\$	77	\$	_	\$	4,954
Intersegment sales and revenues		217		22		14		35		(288)		
Total sales and revenues, net Income (loss) from continuing operations	\$	3,174	\$	1,230	\$	726	\$	112	\$	(288)	\$	4,954
attributable to NIC, net of tax	\$	(341)	\$	230	\$	(183)	\$	47	\$	(300)	\$	(547)
Income tax expense		_		_		_		_		(11)		(11)
Segment profit (loss)	\$	(341)	\$	230	\$	(183)	\$	47	\$	(289)	\$	(536)
Depreciation and amortization	\$	127	\$	8	\$	16	\$	21	\$	13	\$	185
Interest expense		_		_		_		34		122		156
Equity in income (loss) of non-		0		0		(4)						_
consolidated affiliates  Capital expenditures(B)		2 38		2 5		(1) 4		_ 1		_ 2		3 50
									c	Corporate		
	No	rth America	No	rth America	_	Global	_	inancial		and		Total
n millions)		Truck		Parts		perations		ervices(A)		iminations		Total
ix Months Ended April 30, 2013  External sales and revenues, net	\$	2,933	\$	1,290	\$	862	\$	78	\$	_	\$	5,163
*	Ψ	2,933	Ψ	32	Ψ	37	Ψ	39	Ψ	(355)	Ψ	3,103
Interseament sales and revenues				1,322	\$	899	\$	117	\$	(355)		5,163
Intersegment sales and revenues	\$	3 180			Ψ	000	Ψ		Ψ	(000)	Ψ	0,100
Total sales and revenues, net Income (loss) from continuing operations	\$	3,180										
Total sales and revenues, net	\$	3,180 (404)	\$	231	\$	22	\$	41	\$	(357)	\$	(467)
Total sales and revenues, net Income (loss) from continuing operations				231 —	\$	22 —	\$	41 —	\$	(357) (37)	\$	(467) (37)
Total sales and revenues, net Income (loss) from continuing operations attributable to NIC, net of tax				231 — 231	\$	22 — 22	\$	41 — 41	\$		\$	
Total sales and revenues, net Income (loss) from continuing operations attributable to NIC, net of tax Income tax expense	\$	(404)	\$							(37)		(37)
Total sales and revenues, net Income (loss) from continuing operations attributable to NIC, net of tax Income tax expense Segment profit (loss) Depreciation and amortization Interest expense	\$	(404) — (404)	\$	231	\$		\$	41	\$	(37)	\$	(37)
Total sales and revenues, net Income (loss) from continuing operations attributable to NIC, net of tax Income tax expense Segment profit (loss) Depreciation and amortization Interest expense Equity in income (loss) of non-	\$	(404) — (404) 185 —	\$	231 8 —	\$	22 18 —	\$	41 19	\$	(37) (320) 12	\$	(37) (430) 242 164
Total sales and revenues, net Income (loss) from continuing operations attributable to NIC, net of tax Income tax expense Segment profit (loss) Depreciation and amortization Interest expense Equity in income (loss) of non- consolidated affiliates	\$	(404) — (404) 185 — 5	\$	231 8 -	\$	22 18 — (5)	\$	41 19 35	\$	(37) (320) 12 129	\$	(37) (430) 242 164
Total sales and revenues, net Income (loss) from continuing operations attributable to NIC, net of tax Income tax expense Segment profit (loss) Depreciation and amortization Interest expense Equity in income (loss) of non-	\$	(404) — (404) 185 —	\$	231 8 —	\$	22 18 —	\$	41 19 35	\$	(37) (320) 12 129 — 5	\$	(37) (430) 242 164
Total sales and revenues, net Income (loss) from continuing operations attributable to NIC, net of tax Income tax expense Segment profit (loss) Depreciation and amortization Interest expense Equity in income (loss) of non- consolidated affiliates	\$ \$	(404) — (404) 185 — 5 93	\$ \$	231 8 -	\$	22 18 — (5)	\$	41 19 35	\$	(37) (320) 12 129	\$	(37) (430) 242 164
Total sales and revenues, net Income (loss) from continuing operations attributable to NIC, net of tax Income tax expense Segment profit (loss) Depreciation and amortization Interest expense Equity in income (loss) of non- consolidated affiliates	\$ \$	(404) — (404) 185 — 5	\$ \$	231 8 — 3 1	\$	22 18 — (5) 7	\$ \$	41 19 35 — 1	\$	(37) (320) 12 129 — 5	\$	(37) (430) 242 164
Total sales and revenues, net Income (loss) from continuing operations attributable to NIC, net of tax Income tax expense Segment profit (loss) Depreciation and amortization Interest expense Equity in income (loss) of nonconsolidated affiliates Capital expenditures(B)	\$ \$	(404) ———————————————————————————————————	\$ \$	231 8 — 3 1	\$	22 18 — (5) 7	\$ \$	41 19 35 — 1	\$	(37) (320) 12 129 5  Corporate and	\$	(37) (430) 242 164 3 107

716

1,162

2,355

8,315

1,832

October 31, 2013

## SEC Regulation G Non-GAAP Reconciliation

2,250

The financial measures presented below are unaudited and not in accordance with, or an alternative for, financial measures presented in accordance with U.S. generally accepted accounting principles ("GAAP"). The non-GAAP

<sup>(</sup>A) Total sales and revenues in the Financial Services segment include interest revenues of \$42 million and \$82 million for the three and six months ended April 30, 2014, respectively and \$46 million and \$93 million for the three and six months ended April 30, 2013, respectively.

<sup>(</sup>B) Exclusive of purchases of equipment leased to others.

financial information presented herein should be considered supplemental to, and not as a substitute for, or superior to, financial measures calculated in accordance with GAAP and are reconciled to the most appropriate GAAP number below.

# Earnings (loss) Before Interest, Income Taxes, Depreciation, and Amortization ("EBITDA"):

We define EBITDA as our consolidated net income (loss) from continuing operations attributable to Navistar International Corporation, net of tax, plus manufacturing interest expense, income taxes, and depreciation and amortization. We believe EBITDA provides meaningful information as to the performance of our business and therefore we use it to supplement our GAAP reporting. We have chosen to provide this supplemental information to investors, analysts and other interested parties to enable them to perform additional analyses of operating results.

## Adjusted EBITDA:

We believe that adjusted EBITDA, which excludes certain identified items that we do not consider to be part of our ongoing business, improves the comparability of year to year results, and is representative of our underlying performance. Management uses this information to assess and measure the performance of our operating segments. We have chosen to provide this supplemental information to investors, analysts and other interested parties to enable them to perform additional analyses of operating results, to illustrate the results of operations giving effect to the non-GAAP adjustments shown in the below reconciliations, and to provide an additional measure of performance.

## Manufacturing Cash, Cash Equivalents, and Marketable Securities:

Manufacturing cash, cash equivalents, and marketable securities represents the Company's consolidated cash, cash equivalents, and marketable securities excluding cash, cash equivalents, and marketable securities of our financial services operations. We include marketable securities with our cash and cash equivalents when assessing our liquidity position as our investments are highly liquid in nature. We have chosen to provide this supplemental information to investors, analysts and other interested parties to enable them to perform additional analyses of our ability to meet our operating requirements, capital expenditures, equity investments, and financial obligations.

**Structural costs** consists of Selling, general and administrative expenses and Engineering and product development costs.

### **EBITDA** reconciliation:

(in millions)	Three Months Ended April 30, 2014
Loss from continuing operations attributable to NIC, net of tax	(298)
Plus:	
Depreciation and amortization expense	99
Manufacturing interest expense(A)	57
Less:	
Income tax benefit (expense)	(23)
EBITDA	\$ (119)

	Three Months Ended April 30,		
(in millions)	2014		
Interest expense	\$	74	
Less: Financial services interest expense		17	
Manufacturing interest expense	\$	57	

## **Adjusted EBITDA reconciliation:**

(in millions)	Three Months Ended April 30, 2014		
EBITDA (reconciled above)	\$	(119)	
Less significant items of:			
Asset impairments charges(A)		151	
Adjustments to pre-existing warranties(B)		42	
Restructuring charges®		8	
		201	
Adjusted EBITDA	\$	82	

<sup>(</sup>A) In the second quarter of 2014, the Global Operations segment recognized a non-cash charge of \$149 million for the impairment of certain intangible assets of our Brazilian engine reporting unit. Due to the economic downturn in Brazil causing declines in actual and forecasted results, we tested the goodwill of our Brazilian engine reporting unit and trademark for potential impairment. As a result, we determined that the entire \$142 million balance of goodwill and \$7 million of trademark were impaired.

<sup>(</sup>A) Manufacturing interest expense is the net interest expense primarily generated for borrowings that support the manufacturing and corporate operations, adjusted to eliminate intercompany interest expense with our Financial Services segment. The following table reconciles Manufacturing interest expense to the consolidated interest expense:

- (B) Adjustments to pre-existing warranties reflect changes in our estimate of warranty costs for products sold in prior periods. Such adjustments typically occur when claims experience deviates from historic and expected trends. Our warranty liability is generally affected by component failure rates, repair costs, and the timing of failures. Future events and circumstances related to these factors could materially change our estimates and require adjustments to our liability. In addition, new product launches require a greater use of judgment in developing estimates until historical experience becomes available. The charges impacted the North America Truck segment.
- In the second quarter of 2014, the Company incurred restructuring charges of \$8 million related to cost reduction actions that included a reduction-in-force in the U.S.

The above items did not have a material impact on taxes due to the valuation allowances on our U.S. deferred tax assets, which was established in the fourth quarter of 2012.

# Manufacturing segment cash and cash equivalents and marketable securities reconciliation:

		AS OF APRIL 30, 2014					
(in millions)	Manufac	Manufacturing Operations		Financial Services Operations		Consolidated Balance Sheet	
Assets					·		
Cash and cash equivalents	\$	563	\$	31	\$	594	
Marketable securities		497		37		534	
Total Cash and cash equivalents and Marketable				<u> </u>			
securities	\$	1,060	\$	68	\$	1,128	

For further information: Media contact: Steve Schrier, 331-332-2264; or Investor contact: Heather Kos, 331-332-2406, Web site: www.Navistar.com/newsroom

https://news.international.com/2014-06-05-Navistar-Reports-Second-Quarter-Results