

## International Newsroom

### Navistar Reports Fourth Quarter Results

- Reports net loss of \$50 million, or 61 cents per share, on revenues of \$2.5 billion
- Generates \$209 million of adjusted EBITDA (8.4% adjusted EBITDA margin) in the quarter
- Finishes year with more than \$300 million in operational cost savings
- Ends year with more than \$1 billion in manufacturing cash
- FY 2016 Full-Year Guidance: \$600 - \$700 million adjusted EBITDA

LISLE, Ill., Dec. 17, 2015 /[PRNewswire](#)/ -- Navistar International Corporation (NYSE: NAV) today announced a fourth quarter 2015 net loss of \$50 million, or \$0.61 per diluted share, compared to a fourth quarter 2014 net loss of \$72 million, or \$0.88 per diluted share. Revenues in the quarter were \$2.5 billion.

Fourth quarter 2015 EBITDA was \$86 million versus EBITDA of \$66 million in the same period one year ago. This year's fourth quarter included \$69 million in restructuring-related and impairment charges; \$40 million in pre-existing warranty adjustments; and \$14 million in debt refinancing fees and costs. As a result, adjusted fourth quarter 2015 EBITDA was \$209 million, equating to a fourth quarter adjusted EBITDA margin of 8.4 percent.

Revenues in the quarter declined 17 percent compared to fourth quarter 2014. Higher Class 6/7 medium and bus chargeouts in the company's Core (U.S. and Canada) market were more than offset by reduced volumes in the company's export and global operations, lower Class 8 truck chargeouts in its Core market, and Navistar's exit earlier this year from the Blue Diamond Truck joint venture.

"We delivered on our adjusted EBITDA end-of year run rate target of 8 percent or better, thanks to a favorable mix of truck sales and record parts profitability

in our core North America market in the fourth quarter," said Troy A. Clarke, Navistar president and chief executive officer. "We also benefited from our continued focus on cost management across our operations, marked by a \$74 million improvement in structural costs in the quarter."

Navistar finished the fourth quarter 2015 with \$1.01 billion in manufacturing cash, cash equivalents and marketable securities.

During the quarter, the company announced a long-term agreement with General Motors Co. (GM) to develop and assemble medium-duty, conventional cab Class 4/5 commercial vehicles, allowing Navistar to strengthen its product lineup. The trucks, which are scheduled to go into production in 2018 and will be built at Navistar's Springfield, Ohio plant, will be jointly developed using Navistar's expertise in commercial vehicles and manufacturing capabilities, and GM's commercial components and engines.

As for full-year 2015 results, Navistar reported a net loss of \$184 million, or \$2.25 per diluted share, versus a net loss of \$619 million, or \$7.60 per diluted share, for fiscal year 2014. Fiscal year 2015 adjusted EBITDA was \$494 million versus \$306 million adjusted EBITDA for 2014. Revenue for fiscal year 2015 was \$10.1 billion, compared to \$10.8 billion in fiscal year 2014.

Chargeouts in the company's Core North America market increased by 3,500 units, or 6 percent, in 2015, reflecting an 18-percent increase in Class 6/7 medium trucks, a 10-percent increase in school buses, and a 7-percent increase in Class 8 severe service, partially offset by a 4-percent decline in Class 8 heavy truck. Total market share for Class 6-8 and bus for the year was 16 percent. Operationally, the company reduced its total costs by more than \$300 million in 2015, including \$114 million in structural cost reductions, with the remainder coming from reduced material and logistics spending and lower manufacturing costs.

"For the third consecutive year, we generated around \$200 million in adjusted

EBITDA improvement, and we expect this improvement trend to continue in 2016," Clarke said. "We are building the best products we've ever built, and we are winning back customers. We have identified and begun implementing actions to further lower our material spend and structural costs, while driving greater efficiencies in our manufacturing operations. As a result, we expect to build on our 2015 progress, and our goal is to achieve profitability and be free cash flow positive in 2016."

The company provided the following guidance:

- Forecasts retail deliveries of Class 6-8 trucks and buses in the United States and Canada will be in the range of 350,000 units to 380,000 units for fiscal year 2016.
- Full-year 2016 revenues to be between \$9.5 - \$10.0 billion.
- Full-year 2016 adjusted EBITDA of \$600 - \$700 million.

**Summary of Financial Results:**

| (in millions, except per share data)                 | (Unaudited)                |           |                         |           |
|------------------------------------------------------|----------------------------|-----------|-------------------------|-----------|
|                                                      | Quarters Ended October 31, |           | Years Ended October 31, |           |
|                                                      | 2015                       | 2014      | 2015                    | 2014      |
| Sales and revenues, net                              | \$ 2,488                   | \$ 3,008  | \$ 10,140               | \$ 10,806 |
| <b>Segment Results:</b>                              |                            |           |                         |           |
| Truck                                                | \$ (36)                    | \$ (40)   | \$ (141)                | \$ (380)  |
| Parts                                                | 163                        | 150       | 592                     | 528       |
| Global Operations                                    | (27)                       | (56)      | (67)                    | (274)     |
| Financial Services                                   | 26                         | 26        | 98                      | 97        |
| Loss from continuing operations, net of tax(A)       | \$ (51)                    | \$ (72)   | \$ (187)                | \$ (622)  |
| Net loss(A)                                          | (50)                       | (72)      | (184)                   | (619)     |
| Diluted loss per share from continuing operations(A) | \$ (0.62)                  | \$ (0.88) | \$ (2.29)               | \$ (7.64) |
| Diluted loss per share(A)                            | \$ (0.61)                  | \$ (0.88) | \$ (2.25)               | \$ (7.60) |

(A) Amounts attributable to Navistar International Corporation.

**Truck Segment** – For the fourth quarter 2015, the Truck segment recorded a loss of \$36 million, compared with a year-ago fourth quarter loss of \$40 million. This year's fourth quarter results also reflect \$26 million in restructuring charges, primarily related to reduction-in-force initiatives initiated

at the end of the quarter, as well as \$40 million in pre-existing warranty charges, while last year's results included \$27 million in restructuring related charges and \$11 million in pre-existing warranty benefits. The year-over-year improvement was driven by cost management activities, favorable mix in its Core market, and improved margins, which more than offset the lower chargeouts in its Core market.

For the fiscal year 2015, the Truck segment recorded a loss of \$141 million, compared with a fiscal year 2014 loss of \$380 million. The year-over-year improvement was primarily driven by a favorable shift in product mix in Core market, improved margins and lower structural costs, partially offset by an increase in used truck reserves and higher accelerated depreciation charges related to the company's exit of the foundry business.

**Parts Segment** — For the fourth quarter 2015, the Parts segment recorded record profits of \$163 million, compared to a year-ago fourth quarter profit of \$150 million. The increase was primarily due to stronger margins in its Core commercial markets.

For the fiscal year 2015, the Parts segment recorded record profits of \$592 million, compared to a fiscal year 2014 profit of \$528 million. The 12-percent increase was primarily driven by higher revenues, margin improvements in its commercial markets and cost-reduction initiatives, partially offset by the performance decline in its Blue Diamond Parts business due to the decrease of serviceable units in operation.

**Global Operations Segment** — For the fourth quarter 2015, the Global Operations segment recorded a loss of \$27 million, compared to a year-ago fourth quarter loss of \$56 million. The year-over-year improvement was primarily driven by ongoing actions to lower the company's cost structure in its South American engine business, to offset the impact of the ongoing downturn in Brazil's economy.

For the 2015 fiscal year, the Global Operations segment recorded a loss of \$67 million compared to a year-ago fiscal year loss of \$274 million. Excluding the impact of the prior year impairments of \$149 million and current year restructuring costs increase of \$16 million, the Global Operations segment improved year-over-year performance by \$74 million, primarily due to lower year-over-year manufacturing and structural costs.

**Financial Services Segment**— For the fourth quarter 2015, the Financial Services segment recorded a profit of \$26 million, equal to fourth quarter 2014 profit of \$26 million.

For the fiscal year 2015, the Financial Services segment recorded a profit of \$98 million, comparable to a fiscal year 2014 profit of \$97 million, as an increase in revenue and a decrease in the provision for loan losses were offset by lower interest income from 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, 2015. 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**

| (in millions, except per share data)                               | (Unaudited)                |                |                         |                 |
|--------------------------------------------------------------------|----------------------------|----------------|-------------------------|-----------------|
|                                                                    | Quarters Ended October 31, |                | Years Ended October 31, |                 |
|                                                                    | 2015                       | 2014           | 2015                    | 2014            |
| <b>Sales and revenues</b>                                          |                            |                |                         |                 |
| Sales of manufactured products, net                                | \$ 2,451                   | \$ 2,970       | \$ 9,995                | \$ 10,653       |
| Finance revenues                                                   | 37                         | 38             | 145                     | 153             |
| Sales and revenues, net                                            | <u>2,488</u>               | <u>3,008</u>   | <u>10,140</u>           | <u>10,806</u>   |
| <b>Costs and expenses</b>                                          |                            |                |                         |                 |
| Costs of products sold                                             | 2,093                      | 2,635          | 8,670                   | 9,534           |
| Restructuring charges                                              | 54                         | 15             | 76                      | 42              |
| Asset impairment charges                                           | 15                         | 10             | 30                      | 183             |
| Selling, general and administrative expenses                       | 204                        | 262            | 908                     | 979             |
| Engineering and product development costs                          | 62                         | 78             | 288                     | 331             |
| Interest expense                                                   | 80                         | 80             | 307                     | 314             |
| Other (income) expense, net                                        | 7                          | (7)            | (30)                    | (12)            |
| Total costs and expenses                                           | <u>2,515</u>               | <u>3,073</u>   | <u>10,249</u>           | <u>11,371</u>   |
| Equity in income of non-consolidated affiliates                    | —                          | 4              | 6                       | 9               |
| Loss from continuing operations before income taxes                | (27)                       | (61)           | (103)                   | (556)           |
| Income tax expense                                                 | (14)                       | (1)            | (51)                    | (26)            |
| Loss from continuing operations                                    | (41)                       | (62)           | (154)                   | (582)           |
| Income from discontinued operations, net of tax                    | 1                          | —              | 3                       | 3               |
| Net loss                                                           | (40)                       | (62)           | (151)                   | (579)           |
| Less: Net income attributable to non-controlling interests         | 10                         | 10             | 33                      | 40              |
| <b>Net loss attributable to Navistar International Corporation</b> | <u>\$ (50)</u>             | <u>\$ (72)</u> | <u>\$ (184)</u>         | <u>\$ (619)</u> |

*Amounts attributable to Navistar International Corporation common shareholders:*

|                                                 |                |                |                 |                 |
|-------------------------------------------------|----------------|----------------|-----------------|-----------------|
| Loss from continuing operations, net of tax     | \$ (51)        | \$ (72)        | \$ (187)        | \$ (622)        |
| Income from discontinued operations, net of tax | 1              | —              | 3               | 3               |
| Net loss                                        | <u>\$ (50)</u> | <u>\$ (72)</u> | <u>\$ (184)</u> | <u>\$ (619)</u> |

Earnings (loss) per share:

Basic:

|                         |                  |                  |                  |                  |
|-------------------------|------------------|------------------|------------------|------------------|
| Continuing operations   | \$ (0.62)        | \$ (0.88)        | \$ (2.29)        | \$ (7.64)        |
| Discontinued operations | 0.01             | —                | 0.04             | 0.04             |
|                         | <u>\$ (0.61)</u> | <u>\$ (0.88)</u> | <u>\$ (2.25)</u> | <u>\$ (7.60)</u> |

Diluted:

|                         |                  |                  |                  |                  |
|-------------------------|------------------|------------------|------------------|------------------|
| Continuing operations   | \$ (0.62)        | \$ (0.88)        | \$ (2.29)        | \$ (7.64)        |
| Discontinued operations | 0.01             | —                | 0.04             | 0.04             |
|                         | <u>\$ (0.61)</u> | <u>\$ (0.88)</u> | <u>\$ (2.25)</u> | <u>\$ (7.60)</u> |

Weighted average shares outstanding:

|         |      |      |      |      |
|---------|------|------|------|------|
| Basic   | 81.6 | 81.5 | 81.6 | 81.4 |
| Diluted | 81.6 | 81.5 | 81.6 | 81.4 |

Navistar International Corporation and Subsidiaries  
Consolidated Balance Sheets

| (in millions, except per share data)                                                                           | October 31,<br>2015    | October 31,<br>2014    |
|----------------------------------------------------------------------------------------------------------------|------------------------|------------------------|
| <b>ASSETS</b>                                                                                                  |                        |                        |
| Current assets                                                                                                 |                        |                        |
| Cash and cash equivalents                                                                                      | \$ 912                 | \$ 497                 |
| Restricted cash and cash equivalents                                                                           | —                      | 40                     |
| Marketable securities                                                                                          | 159                    | 605                    |
| Trade and other receivables, net                                                                               | 429                    | 553                    |
| Finance receivables, net                                                                                       | 1,779                  | 1,758                  |
| Inventories                                                                                                    | 1,135                  | 1,319                  |
| Deferred taxes, net                                                                                            | 36                     | 55                     |
| Other current assets                                                                                           | 172                    | 186                    |
| Total current assets                                                                                           | <u>4,622</u>           | <u>5,013</u>           |
| Restricted cash                                                                                                | 121                    | 131                    |
| Trade and other receivables, net                                                                               | 13                     | 25                     |
| Finance receivables, net                                                                                       | 216                    | 280                    |
| Investments in non-consolidated affiliates                                                                     | 66                     | 73                     |
| Property and equipment, net                                                                                    | 1,345                  | 1,562                  |
| Goodwill                                                                                                       | 38                     | 38                     |
| Intangible assets, net                                                                                         | 57                     | 90                     |
| Deferred taxes, net                                                                                            | 128                    | 145                    |
| Other noncurrent assets                                                                                        | 86                     | 86                     |
| <b>Total assets</b>                                                                                            | <u><b>\$ 6,692</b></u> | <u><b>\$ 7,443</b></u> |
| <b>LIABILITIES and STOCKHOLDERS' DEFICIT</b>                                                                   |                        |                        |
| <b>Liabilities</b>                                                                                             |                        |                        |
| Current liabilities                                                                                            |                        |                        |
| Notes payable and current maturities of long-term debt                                                         | \$ 1,110               | \$ 1,295               |
| Accounts payable                                                                                               | 1,301                  | 1,564                  |
| Other current liabilities                                                                                      | 1,377                  | 1,372                  |
| Total current liabilities                                                                                      | <u>3,788</u>           | <u>4,231</u>           |
| Long-term debt                                                                                                 | 4,188                  | 3,929                  |
| Postretirement benefits liabilities                                                                            | 2,995                  | 2,862                  |
| Deferred taxes, net                                                                                            | 14                     | 14                     |
| Other noncurrent liabilities                                                                                   | 867                    | 1,025                  |
| <b>Total liabilities</b>                                                                                       | <u><b>11,852</b></u>   | <u><b>12,061</b></u>   |
| <b>Redeemable equity securities</b>                                                                            | —                      | 2                      |
| <b>Stockholders' deficit</b>                                                                                   |                        |                        |
| Series D convertible junior preference stock                                                                   | 2                      | 3                      |
| Common stock (86.8 shares issued, and \$0.10 par value per share and 220 shares authorized, all at both dates) | 9                      | 9                      |

|                                                                                |                 |                 |
|--------------------------------------------------------------------------------|-----------------|-----------------|
| Additional paid-in capital                                                     | 2,499           | 2,500           |
| Accumulated deficit                                                            | (4,866)         | (4,682)         |
| Accumulated other comprehensive loss                                           | (2,601)         | (2,263)         |
| Common stock held in treasury, at cost (5.3 and 5.4 shares, respectively)      | (210)           | (221)           |
| Total stockholders' deficit attributable to Navistar International Corporation | (5,167)         | (4,654)         |
| Stockholders' equity attributable to non-controlling interests                 | 7               | 34              |
| <b>Total stockholders' deficit</b>                                             | <b>(5,160)</b>  | <b>(4,620)</b>  |
| <b>Total liabilities and stockholders' deficit</b>                             | <b>\$ 6,692</b> | <b>\$ 7,443</b> |

**Navistar International Corporation and Subsidiaries**  
**Condensed Consolidated Statements of Cash Flows**

| (in millions)                                                                             | Years Ended October 31, |              |
|-------------------------------------------------------------------------------------------|-------------------------|--------------|
|                                                                                           | 2015                    | 2014         |
| <b>Cash flows from operating activities</b>                                               |                         |              |
| Net loss                                                                                  | \$ (151)                | \$ (579)     |
| Adjustments to reconcile net loss to net cash provided by (used in) operating activities: |                         |              |
| Depreciation and amortization                                                             | 205                     | 227          |
| Depreciation of equipment leased to others                                                | 76                      | 105          |
| Deferred taxes, including change in valuation allowance                                   | (18)                    | (15)         |
| Asset impairment charges                                                                  | 30                      | 183          |
| Amortization of debt issuance costs and discount                                          | 37                      | 49           |
| Stock-based compensation                                                                  | 10                      | 16           |
| Provision for doubtful accounts, net of recoveries                                        | (9)                     | 20           |
| Equity in income of non-consolidated affiliates, net of dividends                         | 6                       | 3            |
| Write-off of debt issuance cost and discount                                              | 4                       | 1            |
| Other non-cash operating activities                                                       | (35)                    | (41)         |
| Changes in other assets and liabilities, exclusive of the effects of businesses disposed: |                         |              |
| Trade and other receivables                                                               | 103                     | 55           |
| Finance receivables                                                                       | (58)                    | (33)         |
| Inventories                                                                               | 131                     | (129)        |
| Accounts payable                                                                          | (208)                   | 84           |
| Other assets and liabilities                                                              | (77)                    | (282)        |
| <b>Net cash provided by (used in) operating activities</b>                                | <b>46</b>               | <b>(336)</b> |
| <b>Cash flows from investing activities</b>                                               |                         |              |
| Purchases of marketable securities                                                        | (887)                   | (1,812)      |
| Sales of marketable securities                                                            | 1,247                   | 1,576        |
| Maturities of marketable securities                                                       | 86                      | 461          |
| Net change in restricted cash and cash equivalents                                        | 42                      | (80)         |
| Capital expenditures                                                                      | (115)                   | (88)         |
| Purchases of equipment leased to others                                                   | (83)                    | (189)        |
| Proceeds from sales of property and equipment                                             | 22                      | 43           |
| Investments in non-consolidated affiliates                                                | 1                       | —            |
| Proceeds from sales of affiliates                                                         | 7                       | 14           |
| Business acquisitions, net of cash received                                               | (4)                     | —            |
| <b>Net cash provided by (used in) investing activities</b>                                | <b>316</b>              | <b>(75)</b>  |
| <b>Cash flows from financing activities</b>                                               |                         |              |
| Proceeds from issuance of securitized debt                                                | 549                     | 82           |
| Principal payments on securitized debt                                                    | (501)                   | (126)        |
| Net change in secured revolving credit facilities                                         | (22)                    | 173          |
| Proceeds from issuance of non-securitized debt                                            | 1,212                   | 663          |
| Principal payments on non-securitized debt                                                | (990)                   | (862)        |
| Net increase in notes and debt outstanding under revolving credit facilities              | (106)                   | 255          |
| Principal payments under financing arrangements and capital lease obligations             | (2)                     | (20)         |
| Debt issuance costs                                                                       | (25)                    | (15)         |
| Proceeds from financed lease obligations                                                  | 33                      | 60           |
| Proceeds from exercise of stock options                                                   | 1                       | 19           |

|                                                                     |               |               |
|---------------------------------------------------------------------|---------------|---------------|
| Dividends paid by subsidiaries to non-controlling interest          | (36)          | (50)          |
| Other financing activities                                          | (15)          | —             |
| <b>Net cash provided by financing activities</b>                    | <b>98</b>     | <b>179</b>    |
| <b>Effect of exchange rate changes on cash and cash equivalents</b> | <b>(45)</b>   | <b>(26)</b>   |
| <b>Increase (decrease) in cash and cash equivalents</b>             | <b>415</b>    | <b>(258)</b>  |
| <b>Cash and cash equivalents at beginning of the year</b>           | <b>497</b>    | <b>755</b>    |
| <b>Cash and cash equivalents at end of the year</b>                 | <b>\$ 912</b> | <b>\$ 497</b> |

**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:

| (in millions)                                                            | Truck           | Parts         | Global Operations | Financial Services(A) | Corporate and Eliminations | Total           |
|--------------------------------------------------------------------------|-----------------|---------------|-------------------|-----------------------|----------------------------|-----------------|
| <b>Three Months Ended October 31, 2015</b>                               |                 |               |                   |                       |                            |                 |
| External sales and revenues, net                                         | \$ 1,706        | \$ 640        | \$ 102            | \$ 37                 | \$ 3                       | \$ 2,488        |
| Intersegment sales and revenues                                          | 37              | 9             | 13                | 21                    | (80)                       | —               |
| Total sales and revenues, net                                            | <u>\$ 1,743</u> | <u>\$ 649</u> | <u>\$ 115</u>     | <u>\$ 58</u>          | <u>\$ (77)</u>             | <u>\$ 2,488</u> |
| Income (loss) from continuing operations attributable to NIC, net of tax | \$ (36)         | \$ 163        | \$ (27)           | \$ 26                 | \$ (177)                   | \$ (51)         |
| Income tax expense                                                       | —               | —             | —                 | —                     | (14)                       | (14)            |
| Segment profit (loss)                                                    | <u>\$ (36)</u>  | <u>\$ 163</u> | <u>\$ (27)</u>    | <u>\$ 26</u>          | <u>\$ (163)</u>            | <u>\$ (37)</u>  |
| Depreciation and amortization                                            | \$ 34           | \$ 3          | \$ 5              | \$ 14                 | \$ 4                       | \$ 60           |
| Interest expense                                                         | —               | —             | —                 | 17                    | 63                         | 80              |
| Equity in income (loss) of non-consolidated affiliates                   | 1               | 1             | (2)               | —                     | —                          | —               |
| Capital expenditures (B)                                                 | 34              | 2             | —                 | 2                     | 5                          | 43              |

| (in millions)                                                            | Truck           | Parts         | Global Operations | Financial Services(A) | Corporate and Eliminations | Total           |
|--------------------------------------------------------------------------|-----------------|---------------|-------------------|-----------------------|----------------------------|-----------------|
| <b>Three Months Ended October 31, 2014</b>                               |                 |               |                   |                       |                            |                 |
| External sales and revenues, net                                         | \$ 2,079        | \$ 676        | \$ 215            | \$ 38                 | \$ —                       | \$ 3,008        |
| Intersegment sales and revenues                                          | 52              | 15            | 9                 | 22                    | (98)                       | —               |
| Total sales and revenues, net                                            | <u>\$ 2,131</u> | <u>\$ 691</u> | <u>\$ 224</u>     | <u>\$ 60</u>          | <u>\$ (98)</u>             | <u>\$ 3,008</u> |
| Income (loss) from continuing operations attributable to NIC, net of tax | \$ (40)         | \$ 150        | \$ (56)           | \$ 26                 | \$ (152)                   | \$ (72)         |
| Income tax expense                                                       | —               | —             | —                 | —                     | (1)                        | (1)             |
| Segment profit (loss)                                                    | <u>\$ (40)</u>  | <u>\$ 150</u> | <u>\$ (56)</u>    | <u>\$ 26</u>          | <u>\$ (151)</u>            | <u>\$ (71)</u>  |
| Depreciation and amortization                                            | \$ 45           | \$ 3          | \$ 7              | \$ 13                 | \$ 8                       | \$ 76           |
| Interest expense                                                         | —               | —             | —                 | 19                    | 61                         | 80              |
| Equity in income (loss) of non-consolidated affiliates                   | 2               | 1             | 1                 | —                     | —                          | 4               |
| Capital expenditures (B)                                                 | 23              | 1             | 2                 | —                     | 5                          | 31              |

| (in millions)                                                            | Truck           | Parts           | Global Operations | Financial Services(A) | Corporate and Eliminations | Total            |
|--------------------------------------------------------------------------|-----------------|-----------------|-------------------|-----------------------|----------------------------|------------------|
| <b>Year Ended October 31, 2015</b>                                       |                 |                 |                   |                       |                            |                  |
| External sales and revenues, net                                         | \$ 7,055        | \$ 2,475        | \$ 455            | \$ 145                | \$ 10                      | \$ 10,140        |
| Intersegment sales and revenues                                          | 158             | 38              | 51                | 96                    | (343)                      | —                |
| Total sales and revenues, net                                            | <u>\$ 7,213</u> | <u>\$ 2,513</u> | <u>\$ 506</u>     | <u>\$ 241</u>         | <u>\$ (333)</u>            | <u>\$ 10,140</u> |
| Income (loss) from continuing operations attributable to NIC, net of tax | \$ (141)        | \$ 592          | \$ (67)           | \$ 98                 | \$ (669)                   | \$ (187)         |
| Income tax expense                                                       | —               | —               | —                 | —                     | (51)                       | (51)             |
| Segment profit (loss)                                                    | <u>\$ (141)</u> | <u>\$ 592</u>   | <u>\$ (67)</u>    | <u>\$ 98</u>          | <u>\$ (618)</u>            | <u>\$ (136)</u>  |
| Depreciation and amortization                                            | \$ 173          | \$ 14           | \$ 23             | \$ 51                 | \$ 20                      | \$ 281           |
| Interest expense                                                         | —               | —               | —                 | 74                    | 233                        | 307              |

|                                                        |    |   |     |   |    |     |
|--------------------------------------------------------|----|---|-----|---|----|-----|
| Equity in income (loss) of non-consolidated affiliates | 5  | 4 | (3) | — | —  | 6   |
| Capital expenditures (B)                               | 92 | 3 | 4   | 4 | 12 | 115 |

| (in millions)                                                            | Truck           | Parts           | Global Operations | Financial Services(A) | Corporate and Eliminations | Total            |
|--------------------------------------------------------------------------|-----------------|-----------------|-------------------|-----------------------|----------------------------|------------------|
| <b>Year Ended October 31, 2014</b>                                       |                 |                 |                   |                       |                            |                  |
| External sales and revenues, net                                         | \$ 7,255        | \$ 2,493        | \$ 905            | \$ 153                | \$ —                       | \$ 10,806        |
| Intersegment sales and revenues                                          | 218             | 58              | 35                | 79                    | (390)                      | —                |
| Total sales and revenues, net                                            | <u>\$ 7,473</u> | <u>\$ 2,551</u> | <u>\$ 940</u>     | <u>\$ 232</u>         | <u>\$ (390)</u>            | <u>\$ 10,806</u> |
| Income (loss) from continuing operations attributable to NIC, net of tax | \$ (380)        | \$ 528          | \$ (274)          | \$ 97                 | \$ (593)                   | \$ (622)         |
| Income tax expense                                                       | —               | —               | —                 | —                     | (26)                       | (26)             |
| Segment profit (loss)                                                    | <u>\$ (380)</u> | <u>\$ 528</u>   | <u>\$ (274)</u>   | <u>\$ 97</u>          | <u>\$ (567)</u>            | <u>\$ (596)</u>  |
| Depreciation and amortization                                            | \$ 216          | \$ 15           | \$ 28             | \$ 46                 | \$ 27                      | \$ 332           |
| Interest expense                                                         | —               | —               | —                 | 71                    | 243                        | 314              |
| Equity in income (loss) of non-consolidated affiliates                   | 5               | 4               | —                 | —                     | —                          | 9                |
| Capital expenditures (B)                                                 | 65              | 6               | 8                 | 1                     | 8                          | 88               |

| (in millions)                 | Truck    | Parts  | Global Operations | Financial Services | Corporate and Eliminations | Total    |
|-------------------------------|----------|--------|-------------------|--------------------|----------------------------|----------|
| <b>Segment assets, as of:</b> |          |        |                   |                    |                            |          |
| October 31, 2015              | \$ 1,876 | \$ 641 | \$ 409            | \$ 2,455           | \$ 1,311                   | \$ 6,692 |
| October 31, 2014 ©            | 2,245    | 672    | 657               | 2,582              | 1,287                      | 7,443    |

(A) Total sales and revenues in the Financial Services segment include interest revenues of \$40 million and \$175 million for the three months and year ended October 31, 2015, respectively and \$44 million and \$170 million for the three months and year ended October 31, 2014, respectively.

(B) Exclusive of purchases of equipment leased to others.

© During the third quarter of 2015, it was determined that multiemployer plan accounting should have been applied in recording postretirement benefits related to our Financial Services segment, which provides that assets and liabilities of a plan are recorded only on the parent company and that periodic contributions to the plan made by the participating subsidiary are charged to expense for the purposes of the subsidiary's financial statements. As a result, we have reclassified \$16 million of deferred tax assets between Financial Services and Corporate and Eliminations related to the postretirement benefits reclassified between NIC and Non-Guarantor Subsidiaries. This reclassification did not impact consolidated segment assets for the year-ended October 31, 2014.

## SEC Regulation G Non-GAAP Reconciliation

*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 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 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.*

### **Adjusted EBITDA margin:**

*We define Adjusted EBITDA margin as a percentage of the Company's consolidated sales and revenues. 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<br>October 31, |              | Years Ended<br>October 31, |                |                 |                 |
|--------------------------------------------------------------------|-----------------------------------|--------------|----------------------------|----------------|-----------------|-----------------|
|                                                                    | 2015                              | 2014         | 2015                       | 2014           | 2013            | 2012            |
| Loss from continuing operations attributable to NIC,<br>net of tax | \$ (51)                           | \$ (72)      | \$ (187)                   | \$ (622)       | \$ (857)        | \$ (2,939)      |
| Plus:                                                              |                                   |              |                            |                |                 |                 |
| Depreciation and amortization expense                              | 60                                | 76           | 281                        | 332            | 417             | 323             |
| Manufacturing interest expense (A)                                 | 63                                | 61           | 233                        | 243            | 251             | 171             |
| Less:                                                              |                                   |              |                            |                |                 |                 |
| Income tax benefit (expense)                                       | (14)                              | (1)          | (51)                       | (26)           | 171             | (1,780)         |
| EBITDA                                                             | <u>\$ 86</u>                      | <u>\$ 66</u> | <u>\$ 378</u>              | <u>\$ (21)</u> | <u>\$ (360)</u> | <u>\$ (665)</u> |

(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:

| (in millions)                             | Three Months Ended October 31, |              | Years Ended October 31, |               |               |               |
|-------------------------------------------|--------------------------------|--------------|-------------------------|---------------|---------------|---------------|
|                                           | 2015                           | 2014         | 2015                    | 2014          | 2013          | 2012          |
| Interest expense                          | \$ 80                          | \$ 80        | \$ 307                  | \$ 314        | \$ 321        | \$ 259        |
| Less: Financial services interest expense | 17                             | 19           | 74                      | 71            | 70            | 88            |
| Manufacturing interest expense            | <u>\$ 63</u>                   | <u>\$ 61</u> | <u>\$ 233</u>           | <u>\$ 243</u> | <u>\$ 251</u> | <u>\$ 171</u> |

**Adjusted EBITDA reconciliation:**

| (in millions) | Three Months Ended<br>October 31, |      | Years Ended<br>October 31, |      |      |      |
|---------------|-----------------------------------|------|----------------------------|------|------|------|
|               | 2015                              | 2014 | 2015                       | 2014 | 2013 | 2012 |

|                                                             |               |               |               |                |                 |                 |
|-------------------------------------------------------------|---------------|---------------|---------------|----------------|-----------------|-----------------|
| <b>EBITDA (reconciled above)</b>                            | <b>\$ 86</b>  | <b>\$ 66</b>  | <b>\$ 378</b> | <b>\$ (21)</b> | <b>\$ (360)</b> | <b>\$ (665)</b> |
| <i>Less significant items of:</i>                           |               |               |               |                |                 |                 |
| Adjustments to pre-existing warranties(A)                   | 40            | (10)          | 4             | 55             | 404             | 404             |
| Brazil reporting unit impairment charges(B)                 | 7             | —             | 10            | 149            | —               | —               |
| Brazil truck business actions©                              | —             | 29            | 6             | 29             | —               | —               |
| North America asset impairment charges(D)                   | 8             | —             | 20            | 24             | 97              | 16              |
| Restructuring of North American manufacturing operations(E) | —             | 27            | —             | 41             | —               | 7               |
| Cost reduction and other strategic initiatives(F)           | 54            | 4             | 72            | 17             | 9               | 73              |
| Debt refinancing charges(G)                                 | 14            | —             | 14            | 12             | 13              | 8               |
| Gain on settlement(H)                                       | —             | —             | (10)          | —              | —               | —               |
| Mahindra Joint Venture divestiture (I)                      |               |               |               |                | (26)            | —               |
| Legal settlement (J)                                        |               |               |               |                | (35)            | —               |
| Engineering integration costs (K)                           |               |               |               |                | —               | 66              |
| Total adjustments                                           | <b>123</b>    | <b>50</b>     | <b>116</b>    | <b>327</b>     | <b>462</b>      | <b>574</b>      |
| <b>Adjusted EBITDA</b>                                      | <b>\$ 209</b> | <b>\$ 116</b> | <b>\$ 494</b> | <b>\$ 306</b>  | <b>\$ 102</b>   | <b>\$ (91)</b>  |
| Adjusted EBITDA margin                                      | <b>8.4 %</b>  | <b>3.9 %</b>  | <b>4.9 %</b>  | <b>2.8 %</b>   | <b>3.7 %</b>    | <b>(2.8) %</b>  |

- (A) Adjustments to pre-existing warranties reflect changes in our estimate of warranty costs for products sold in prior periods.
- (B) In the fourth quarter of 2015, the Company recognized a total non-cash charge of \$7 million for the impairment of certain intangible and long-lived assets in the Brazil truck asset group. In the third quarter of 2015, we determined that \$3 million of trademark asset carrying value was impaired. In the second quarter of 2014, we recognized a non-cash charge of \$149 million for the impairment of certain intangible assets of our Brazilian engine reporting unit, including the entire \$142 million balance of goodwill and \$7 million of trademark.
- © In the second quarter of 2015 our Global Operations segment recorded \$6 million in inventory charges to right size the Brazil Truck business. In the fourth quarter of 2014, the Global Operations segment recorded approximately \$29 million in charges, primarily related to inventory, to right size the Brazil Truck business.
- (D) During the third and fourth quarters of 2015, certain long-lived assets were determined to be impaired, resulting in a charge of \$3 million and \$4 million, respectively. In the first quarter of 2015, the Truck segment recorded \$7 million of asset impairment charges relating to certain operating leases. In 2014, the Truck segment recorded impairment charges related to certain amortizing intangible assets and long-lived assets which were determined to be fully impaired. In the first quarter of 2014, the Truck segment recognized asset impairment charges of \$18 million.
- (E) In the fourth quarter of 2014 the Truck segment recorded \$27 million of charges related to our anticipated exit from our Indianapolis, Indiana foundry facility and certain assets in our Waukesha, Wisconsin foundry operations. The charges included \$13 million of restructuring charges, \$7 million of fixed asset impairment charges and \$7 million of charges for inventory reserves. In the third quarter of 2014, the Truck segment recorded \$14 million of charges related to the 2011 closure of its Chatham, Ontario plant, based on a ruling received from the Financial Services Tribunal in Ontario, Canada.
- (F) In 2015, we had \$72 million of cost reduction and other strategic initiatives primarily consisting of restructuring charges in the third and fourth quarters. In the fourth quarter of 2015, we incurred restructuring charges of \$54 million related to cost reduction actions, including the Company's offering of the VSP to the majority of our U.S.-based non-represented salaried employees and the impacts of an involuntary reduction-in-force in the U.S. and Brazil. In the third quarter of 2015, we incurred restructuring charges of \$13 million related to cost reduction actions, including a reduction-in-force in the U.S. and Brazil. In 2014, the Company recorded restructuring charges related to cost reduction actions that included a reduction-in-force in the U.S and Brazil.
- (G) In the fourth quarter of 2015, we recorded \$14 million of third party fees and unamortized debt issuance costs associated with the refinancing of our Amended Term Loan Credit Facility with a new Senior Secured Term Loan Credit Facility. In the second quarter of 2014, we recorded \$12 million of unamortized debt issuance costs and other charges associated with the repurchase of our 2014 Convertible Notes. In the second quarter of 2013, we recorded \$6 million of unamortized debt issuance costs and other charges associated with the sale of additional Senior Notes. In 2012, we recorded \$8 million of unamortized debt issuance costs and other charges associated with our Senior Notes and Amended and Restated Asset-Based Credit Facility.
- (H) In the second quarter of 2015, the Global Operations segment recognized a \$10 million net gain related to a settlement of a customer dispute. The \$10 million net gain for the settlement included restructuring charges of \$4 million.
- (I) In the second quarter of 2013, the Company sold its stake in the Mahindra Joint Ventures to Mahindra and the Global Operations segment recognized a gain of \$26 million.
- (J) In the first quarter of 2013, as a result of the legal settlement with Deloitte and Touche LLP, the Company recognized a gain and received cash proceeds of \$35 million.
- (K) Engineering integrated costs related to the consolidation of our truck and engine engineering operations, as well as the relocation of our world headquarters. In 2012, the charges included restructuring charges of \$23 million and other related costs of \$43 million, primarily in our Truck segment.

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

| (in millions)                                                    | As of October 31, 2015   |                               |                            |
|------------------------------------------------------------------|--------------------------|-------------------------------|----------------------------|
|                                                                  | Manufacturing Operations | Financial Services Operations | Consolidated Balance Sheet |
| <b>Assets</b>                                                    |                          |                               |                            |
| Cash and cash equivalents                                        | \$ 877                   | \$ 35                         | \$ 912                     |
| Marketable securities                                            | 136                      | 23                            | 159                        |
| <b>Total Cash and cash equivalents and Marketable securities</b> | <b>\$ 1,013</b>          | <b>\$ 58</b>                  | <b>\$ 1,071</b>            |

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