

International Newsroom

Navistar Reports Solid 4Q, Year-End Net Income as Weakened Truck Market Continues

- Manufacturing Segment Profit of \$232 million for 4Q, \$836 million for 2009
- Year-End cash balances of \$1.2 billion vs. \$861 million in 2008
- Navistar Financial bank credit facility refinancing complete

WARRENVILLE, Ill. (Dec. 21, 2009) – In the face of the worst truck market in 47 years, Navistar International Corporation (NYSE: NAV) delivered strong fourth-quarter net income, resulting in a solid profit for the fiscal year ended Oct. 31, 2009.

“Despite current economic challenges, we have remained focused on our three-pillar strategy which includes being profitable in the toughest of times while investing in our future for profitable growth,” said Daniel C. Ustian, Navistar’s chairman, president and chief executive officer.

Driven by a pickup in fourth-quarter commercial truck volume and continued military sales, the company reported 2009 fourth-quarter net income of \$86 million, equal to \$1.19 of diluted earnings per share, on sales and revenues of \$3.3 billion. Fourth-quarter 2009 earnings were reduced by charges and costs that totaled \$42 million (pre-tax), or \$0.58 per diluted share. These charges included a \$31 million asset impairment charge related to the idling of the Chatham, Ontario, and Conway, Ark., manufacturing facilities and an \$11 million charge related to company’s refinancing of its capital structure. In the fourth quarter a year ago, Navistar reported a loss of \$343 million, equal to \$4.81 of diluted loss per share, on sales and revenues of \$3.9 billion. The 2008 fourth-quarter loss resulted from asset impairment and related charges of \$385 million (pre-tax), or \$5.37 per diluted share, arising from strategic changes in the company’s Ford diesel engine business.

Net income for the fiscal year ended Oct. 31, 2009 totaled \$320 million, equal to \$4.46 of diluted earnings per share, on net sales and revenues of \$11.6 billion. Net income benefited from a settlement with Ford Motor Co. that totaled \$160 million (pre-tax), equal to \$2.19 of diluted earnings per share. Excluding the Ford settlement and fourth-quarter charges and costs as referenced above, fiscal 2009 net income would have totaled \$205 million, equal to \$2.86 of diluted earnings per share.

In fiscal 2008, Navistar reported net income of \$134 million, equal to \$1.82 of diluted earnings per share, on net sales and revenues of \$14.7 billion. Earnings in 2008 were impacted by asset impairment and other related charges of \$395 million (pre-tax), or \$5.39 per diluted share, arising from strategic changes in its Ford diesel engine business. Without these costs, net income would have been \$528 million, equal to \$7.21 of diluted earnings per share.

Manufacturing segment profit was \$232 million for the 2009 fourth quarter and \$836 million for the full year, compared with a manufacturing segment loss of \$168 million for the 2008 fourth quarter and manufacturing segment profit of \$693 million for the full year.

“During one of the weakest economies we can recall, we are pleased with our performance and our ability to continue to invest in the long-term future of the business,” said A.J. Cederroth, Navistar’s executive vice president and chief financial officer. “As a result, we believe we are well positioned to capitalize on a variety of opportunities that lie ahead.”

The company had previously stated it anticipated manufacturing cash balances for the year in the range of \$700 million to \$800 million and it in fact closed 2009 with a manufacturing cash balance of \$1.2 billion compared with \$751 million as of the prior quarter ended July 31, 2009. “The steps taken in

2009 have positioned us to move forward with our operations when the economy continues to recover in 2010,” Cederoth said.

Continuing on its path to meet the latest emissions requirements through its advanced EGR (exhaust gas recirculation) MaxxForce® engines, the company said it is prepared for a successful engine launch in the months ahead. In early December, 28 IC Bus™ school buses meeting 2010 emissions requirements were delivered to the Columbus, Miss., school district, marking the first 2010-compliant diesel buses to be delivered to its customers. In preparation for the launch of its 2010-compliant engines, Navistar engineers have conducted extensive testing and validation over the last two years, accumulating more than 15.7 million test miles.

“We believe that our customer-friendly solution positions our products with a significant competitive advantage,” said Ustian.

The company continues to advance strategic joint venture and acquisitions that align with its strategic goals, including NC2, the company’s global commercial truck joint venture with Caterpillar Inc., the all-electric commercial truck venture with Modec Limited of the United Kingdom, and the acquisition of the engine components business from Continental Diesel Systems US, LLC. In December, Navistar also completed its acquisition of the cement mixer manufacturing business of Continental Mfg. Company, Inc., and invested in Danish technology company Amminex, which will offer it another tool to explore cost-effective, customer-friendly technologies that fit the company’s advanced EGR platform. The company believes these initiatives and expansions will be key contributors to its future success.

“Our actions have enabled us to deliver exceptional 2009 results, while simultaneously making it possible for us to succeed in an improving economy and deliver continued profitability over the next several years,” said Ustian.

“The momentum established in the wake of these accomplishments positions us well for long-term success and to take on the challenges that 2010 will pose for all in our industry.”

The company anticipates that total truck industry retail sales volume for Class 6-8 trucks and school buses in the United States and Canada for the year ending Oct. 31, 2010, will be in the range of 175,000 to 215,000 units.

Segment Results

Truck — Decreased U.S. military sales, lower volumes in traditional markets and higher material costs contributed to the truck segment’s lower segment profit of \$147 million for the year ended Oct. 31, 2009, compared with segment profit of \$805 million in 2008, a year that included major U.S. military sales as part of the company’s Mine Resistant Ambush Protected (MRAP) vehicle program. Navistar increased its traditional market share across most classes during the fourth quarter and year ended Oct. 31, 2009. The market share of its Class 8 heavy duty vehicle has been bolstered by a 6 percentage point growth for the 2009 fiscal year compared to the same period in 2008. The increases are primarily driven by the growing popularity of the most fuel efficient Class 8 truck on the road — the International® ProStar® — and the continued purchase of trucks by larger fleets, as well as U.S. military procurements.

Engine — Although engine unit volumes continued to lag the prior year, the Engine segment delivered a \$253 million segment profit in fiscal 2009, including the impact of the increased equity ownership in Blue Diamond Parts, improved fourth-quarter shipments to our truck segment and the impacts of the Ford settlement, compared with a fiscal 2008 segment loss of \$366 million which includes \$395 million of asset impairment and other related charges to its diesel engine business for Ford pickups. Total engine unit volumes declined by 76,200 units in fiscal 2009. The development of the company’s 15-liter

program is progressing as planned with the first demo units now being delivered to key customers for field testing.

Parts — Strengthened by continued strong sales to the U.S. military, the Parts segment reported a fiscal 2009 segment profit of \$436 million, an increase of 72% over the prior year period, on sales totaling \$2.2 billion, compared with a segment profit of \$254 million on sales of \$1.8 billion a year ago. The improvement in profit is primarily the result of its ability to expand into adjacent markets, primarily the military, without significant investment in product development or distribution infrastructure. Military sales increased by \$519 million, which more than offset decreased demand caused by the global economic climate.

Financial Services — Despite the challenging economic environment, the financial services segment continues to demonstrate improvements as it delivered a segment profit of \$40 million in fiscal 2009, compared with a segment loss of \$24 million in 2008. The impacts of declining portfolio balances were offset by higher earnings from increased interest rates and fees charged to dealers, retail customers and the manufacturing operations. Navistar Financial Corporation (NFC) continues to demonstrate its ability to access diversified funding sources to help Navistar dealers and customers finance equipment. In December, NFC successfully refinanced its bank credit facility with a new three-year revolving credit facility and term loan totaling \$815 million and completed a private asset sale and secured loan, which generated proceeds totaling \$304 million with one of its relationship banks. In November, NFC also issued \$350 million in three-year asset-backed securities to support dealer inventory funding, in a deal eligible for funding under the U.S. Federal Reserve's TALF (Term Asset-Backed Securities Loan Facility) program, and completed a \$299 million retail securitization in April. With the completion of the TALF deal and the refinancing of its bank facility, NFC has completed its 2009 refinancing actions.

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 Item 1A, Risk Factors of our Form 10-K for the fiscal year ended October 31, 2009, which was filed on December 21, 2009. 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.

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