

U.S. Army Selects International Truck and Engine, Lockheed Martin to Build Demonstrators of Tactical Utility Vehicle to Replace Aging Fleet

TACOM Narrows Demonstration Competition, Awards International

\$12.25 Million Contract Washington, D.C., - February 06, 2006

The U.S. Army, moving a step closer to developing a next-generation tactical utility truck to replace an aging fleet including the familiar Humvee, selected International Military and Government, LLC, a wholly owned subsidiary of International Truck and Engine Corporation – the operating company of Navistar International Corporation (NYSE: NAV) – and Lockheed Martin Corp. (NYSE: LMT) to build demonstrator armored vehicles, narrowing the competition from four companies to two. The Army's Tank-automotive and Armaments Command (TACOM) awarded International \$12.25 million to build its demonstrator over the next 18 months.

The selection of International underscores its revitalized presence in the military market, where the company for nearly a century has provided logistical and engine solutions to operate and perform in ever-challenging combat environments. In the past few years, International has rejuvenated what was a moribund military presence and now offers a diverse line of military vehicles – from severe service vehicles, delivery trucks, tow trucks and heavy long-haul trucks to over-the-road tractors and armored military transport vehicles. In the past two years, it has received military contracts from the U.S. and allies with the potential for more than 10,000 vehicles totaling about \$1 billion.

Under the Future Tactical Truck System (FTTS) program, International's new utility vehicle (UV) would be modular so it can be reconfigured for an assortment of combat missions and would also incorporate the latest commercial technology. It will be the equivalent of a light truck and designed to meet the Army's goals of "timely, rapid and pulsed delivery of supplies" to

serve the demands of today's soldiers. The initial award of \$12.25 million is for one Utility Vehicle and the government expects to exercise a further option for one Companion Trailer in the near future.

International competed against military suppliers Lockheed Martin Corp., AM General Corp. and Stewart & Stevenson Vehicle Services Inc. to develop demonstrator models of the FTTS-UV. The initial stages of the FTTS research-and-development effort relied almost entirely on modeling and simulation.

"Today's military truck fleet is aging and the Army increasingly is hampered by the cost of operating, maintaining and modernizing those vehicles," said Daniel C. Ustian, chairman, president and chief executive officer of Navistar International Corporation. "The new tactical utility vehicle we are developing will more than handle the challenging military applications that emerge in today's combat environments, and we're enthusiastic about the opportunity to develop this next-generation utility vehicle for our troops."

The selection of both International and Lockheed Martin represents a shift within the military in the way it procures for tomorrow's army. The two companies are not among the traditional suppliers of light and medium tactical vehicles. But they are among the companies that have developed state-of-the-art technology applicable to the military's future needs when in combat.

International, for instance, offers technology advances in truck electronics, tracking, logistics, body-equipment integration, hybrid capabilities, electronic engines and external power sources. Its electronics/telematics feature advanced architecture, diagnostics and prognostics, satellite solutions and geofencing, which is restricting the movement of a vehicle to within a specified area.

The Army views its FTTS program – which, besides the utility vehicle includes

a heavier vehicle to replace current medium tactical vehicles and the heavy fleet of cargo trucks – as a necessary step in modernizing its tactical wheeled vehicles and making its troops easier to deploy. The Army is also looking for trucks that can perform well with the added weight of armor.

“The Army is seeking several key technologies – from embedded simulators and diagnostics and prognostics technologies to movement-tracking systems and mobility and fuel-savings features – and International already has many of the capabilities to supply a tactical utility truck that delivers what our troops require over the most rugged, extreme and dangerous conditions,” said Archie Massicotte, president of International’s Military and Government Business. “We are eager to add our name to the roster of major military suppliers that deliver innovative, breakthrough technologies.”

In recent years, International has launched a substantial line-up of International® Military Vehicles including the 7000-MV, 5000-MV, 4000-MV, MXT-MV, Armored Personal Carrier and Mine Blast Protection Vehicles representing the latest in commercially available engine, truck and telematics technologies developed for military applications. International has backed up these new products with an expansion in global presence assuring military contracts are supported for parts and service in theaters of operation worldwide.

About International Military and Government, LLC

International Military and Government, LLC, is a wholly-owned subsidiary of the company established to focus on military and government opportunities. The company has also been selected to compete for a contract to repower the military HMMWV (“Humvee”) and currently has bids out for other U.S. and foreign government military contracts.

About International Truck and Engine

International Truck and Engine Corporation is the operating company of Navistar International Corporation (NYSE: NAV). The company produces International® brand commercial trucks, mid-range diesel engines and IC brand school buses and is a private label designer and manufacturer of diesel engines for the pickup truck, van and SUV markets. With the broadest distribution network in North America, the company also provides financing for customers and dealers. Additionally, through a joint venture with Ford Motor Company, the company builds medium commercial trucks and sells truck and diesel engine service parts.

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