Navistar Reports 2Q Profit Under Historically Weak Market Conditions Not Seen Since 1962

• Industry retail sales volume for the Class 6-8 U.S. and Canada truck market revised down to between 165,000 and 185,000 units
• Company guidance for fiscal 2009 is $5.20-$5.50 EPS, including Ford settlement effects, and $2.80-$3.10 EPS without Ford impacts, as global recession continues

WARRENVILLE, Ill. (June 9, 2009) – Maintaining course in the face of the global recession, which continues to dampen the U.S. and Canadian truck market, Navistar International Corporation (NYSE: NAV) reported second quarter profits of $12 million, equal to $0.16 per diluted share, on $2.8 billion in net sales and revenues. Although the industry outlook remains challenging, Navistar has taken actions to help mitigate the adverse effects on its profitable growth, sustaining its momentum to deliver another year of expected net income.

The results for the second quarter ended April 30, 2009 were impacted by weak industry sales in every part of Navistar's commercial business, as compared to the year-ago second quarter. Second quarter earnings were reduced by $31 million, equal to $0.44 per diluted share, from other costs related to the Ford settlement. In addition in the latest period, the company incurred research and development costs, and unanticipated costs related to warranty on products sold in prior periods, partially offset by the benefits from certain out-of-period accounting adjustments. In the second quarter a year ago, Navistar reported net income of $211 million, equal to $2.88 per diluted share, on $3.9 billion in net sales and revenues.

"Although the current growth of our traditional businesses is hamstrung by the global recession, we have nonetheless been able to advance numerous strategic and tactical initiatives that will be key contributors to our future success," said Daniel C. Ustian, Navistar chairman, president and chief executive officer.

For the first six months of fiscal 2009, Navistar reported net income of $246 million, equal to $3.44 per diluted share, including the positive effect from the settlement with Ford of $155 million, equal to $2.17 per diluted share, compared with $146 million, equal to $2 per diluted share, in the first six months a year ago. First half net sales and revenues amounted to $5.8 billion, compared with $6.9 billion in the year-ago period.

"Continued reductions in our product costs, lower selling, general and administrative expenses and increased market share growth, along with the company's military business, will enable us to maintain pace toward a profitable fiscal 2009 despite three consecutive years of dwindling truck volumes," said Ustian.

The company now projects that total truck industry retail sales volume for Class 6-8 trucks and school buses in the United States and Canada for the fiscal year ending October 31, 2009, will total between 165,000 and 185,000 units, down from the previous forecast of 210,000 to 225,000 units. Industry volumes reached a recent high of 454,700 units in 2006 due to accelerated purchases of trucks ("pre-buy") in anticipation of higher prices due to stricter emissions standards imposed by the Environmental Protection Agency in 2007. However, the industry is anticipating only a minimal pre-buy in 2009 ahead of 2010 emissions requirements.

Based on second quarter results and company forecasts for the remainder of the year, Navistar reported guidance for net income for its fiscal year ending October 31, 2009, in the range of $200 million, or $2.80 per diluted share, to $225 million, or $3.10 per diluted share, excluding the Ford settlement and related charges. Including results of the Ford settlement, per diluted share earnings should be in the range of $5.20 to $5.50 per diluted share.

"It is now clear that the economic recovery will take longer than had been originally expected. We are addressing this likelihood straight on by maintaining focus on our core product and market initiatives while taking the necessary steps that will allow us to adapt to the rapidly changing marketplace," said Ustian.

Navistar continues to invest in product leadership and remains focused on key growth initiatives that drive business value. The second quarter of 2009 saw the launch of several new and/or enhanced products from a variety of the company's business units, including the International® LoneStar® Harley-Davidson™ Special Edition, the California Air Resources Board certification of the International® DuraStar® Hybrid box van and utility truck and the IC Bus CE Series hybrid bus, the International® MaxxPro® Wrecker Mine Resistant Ambush Protected (MRAP) and MaxxPowerTM, a newly branded line of original equipment, factory installed components. The company also recently entered a supply agreement to develop and produce diesel engines for two new Daewoo Bus brand commercial buses for Korea and other global markets.

In addition, the company has made significant reductions to its overall selling, general and administrative expenses to optimize the performance of its business in the most challenging economic conditions in more than 45 years. These overall efforts are expected to yield improvements to the company's bottom line.

Manufacturing segment profit was $87 million and $494 million, including the impacts of the Ford settlement and other related costs, for the second quarter and first half of 2009, respectively, compared with $316 million and $408 million in the year-ago periods.

Segment Results
Truck — For the second quarter ended April 30, 2009, the truck segment reported a $56 million profit before tax, compared with $209 million profit before tax in the year-ago period. Even though the U.S. and Canadian truck market continued to weaken due to lack of customer demand driven by the downturn in the economy, Navistar increased its traditional market share during the second quarter and six months ended April 30, 2009. The market share of its Class 8 heavy duty vehicle has been bolstered by an 8 percentage point growth in the second quarter and a 9 percentage point growth in the six months, compared to the same periods in 2008. The increases are primarily driven by market acceptance of the company's International® ProStar® — the most fuel-efficient Class 8 truck on the road, market share gains in severe service and continued U.S. military procurement. Although Navistar continues to make progress on reducing its selling, general and administrative expenses, engineering and product development costs were higher in the second quarter and first half of 2009 due to the investment in new products.

Engine — For the second quarter ended April 30, 2009, the engine segment reported a loss of $84 million before tax, compared with a $51 million profit before tax in the year-ago quarter. The engine segment was near breakeven for the latest quarter excluding the costs of warranty on products sold in prior periods as well as the impacts of costs related to the Ford settlement. Limited demand for heavy duty diesel pickup trucks, coupled with the global economic climate, led to a decline of engine sales worldwide of 38,600 units and 73,500 units in the second quarter and first half of 2009, respectively.

Parts — Bolstered by increased market share as well as revenue growth in military parts business, Parts delivered second-quarter profit before tax of $115 million on sales totaling $577 million, compared with $56 million in profit before tax on sales of $438 million in the prior year second quarter.
Financial Services — Despite very difficult market conditions, the financial services segment (primarily Navistar Financial Corporation (NFC)), delivered an $18 million profit before tax in the second quarter. As a result of this quarter's strong performance, NFC's profitability for the six months ended April 30, 2009 continues to show significant improvement over 2008 levels. NFC achieved this performance due to a stable portfolio and improved margin on financing.

During the second quarter, NFC also successfully sold $298 million of asset-backed notes into a bank-sponsored, multi-seller conduit facility. This financing transaction is a natural transition to the efforts to successfully complete, by year end, the company's targeted refinancing initiatives to ensure NFC's liquidity.

Navistar International Corporation (NYSE: NAV) is a holding company whose subsidiaries and affiliates produce International® brand commercial and military trucks, MaxxForce® brand diesel engines, IC brand school and commercial buses, the Monaco, Holiday Rambler, Safari, Beaver, McKenzie and R-Vision brand RVs, and Workhorse® brand chassis for motor homes and step vans. It also is a private-label designer and manufacturer of diesel engines for the pickup truck, van and SUV markets. The company also provides truck and diesel engine and service parts. Another affiliate offers financing services. Additional information is available at www.Navistar.com/newsroom.

SEC Regulation G
The financial measures presented below are unaudited and non-GAAP. The measures are not in accordance with, or an alternative for, 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. However, we believe that non-GAAP reporting, giving effect to the adjustments shown in the reconciliation below, provides meaningful information and therefore we use it to supplement our GAAP reporting by identifying items that may not be related to the core manufacturing business. Management often 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.

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Complete 2Q 2009 News Release with Financials

Consolidated Statement of Operations

Consolidated Balance Sheets

Condensed Consolidated Statement of Cash Flows

Segment Reporting

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