Navistar International Corporation and its subsidiaries have a rich history of innovation and customer focus, extending back more than 150 years to the invention of the reaper by Cyrus Hall McCormick in 1831 and to the establishment of a wagon business by Henry Weber in 1845.

McCormick is synonymous with innovation. He not only invented the reaper, which signaled the initial step towards agricultural mechanization, but he pioneered new business methods in selling his innovations. McCormick's motto was, "To sell, I must advertise". His sales campaigns were a forerunner of present direct-mail advertising. His new and aggressive system of selling directly to the farmer on a liberal credit basis led to installment payments. His company was the first to have a dealer network across the country. No other manufacturer except McCormick offered a warranty on its products. An actual McCormick ad illustrated this new business method: "purchasers would run no risk since, if the reapers for 1842 were not strong and durable, and would not cut fifteen acres a day and save one bushel of wheat per acre, ordinarily lost by shelling when the cradle was used, they could be returned."

In 1902, the McCormick Harvesting Machine Company merged with four other harvesting machine companies (Deering Harvester Company; Warder, Bushnell and Glessner Company; the Milwaukee Harvester Company and the Plano Manufacturing Company) to form International Harvester Company. The idea was to manufacture a complete line of farm equipment and to develop new products powered by the internal combustion engine. In its first full year of operation, the newly formed International Harvester enjoyed total sales of over $52 million with approximately 25,000 employees. The Weber Wagon Company was acquired in 1904.
Another noteworthy event occurred in June, 1908 when the company's 600,000 shares of common stock and 600,000 shares of preferred stock were traded on the New York Stock Exchange for the very first time.

As early as 1889, the Deering Harvester Company began to experiment with a gas engine and, by the time of the formation of International Harvester, was producing almost 50 stationary engines a day that could be mounted on various Deering farm implements including an experimental self-propelled vehicle designed by Deering engineer, George H. Ellis in 1892. In 1892, E.A. Johnston of the McCormick company designed an auto mower, the outgrowth of several years of experimentation with the internal combustion engine.

In February 1907, on the fifth floor McCormick Works in Chicago, of the Company's assembly began on motor vehicles advertised as the chassis of the first 100 high wheel motor vehicles called "the Auto Buggy" and later commonly called the "farmer's auto." In October 1907, production was transferred to the company's Akron, Ohio works. The "Auto Wagon" was introduced in 1909. This is the first multiple-use utility vehicle with a removable seat. When the seat is removed the owner of the vehicle had a large pick box. By 1912, more than 9,000 of these two models were manufactured. "International" became the trademark brand of the Company's buses were added to the vehicles in 1914. School buses were added to the line-up in 1916.
The number of truck sales for urban delivery use and general hauling exceeded those for the farm use for the first time in 1915. After World War I, which proved the value of the motorized truck, there was a public demand for better roads that led to more than twenty bills introduced in the 66th U.S. Congress to create a national network of highways and to form a federal highway commission.

As a result, a tremendous period of expansion and development began in the 1920s for the International motor truck business. In 1920 there were 981 truck distributorships in operation.

The Springfield Ohio farm implement plant was converted to the exclusive production of a new line of trucks, the "Model S" in the following year, and in 1923 a new heavy-duty truck plant was opened in Fort Wayne, Indiana to replace the obsolete Akron facility, which closed in 1925. At the same time, the company updated an old wagon and sleigh factory in Chatham, Canada to make new trucks.

At Fort Wayne, a proving ground containing a severe twist course and roads studded with Belgian paving blocks was completed in 1929 to assure that all models received a thorough scientific testing under the most arduous conditions possible before being offered to customers.

The Model S with pneumatic tires instead of solid rubber tires could whisk a ton-and-a-half load at 30 miles an hour, nearly twice as fast as its precursors. For the first time electric lights, horn and starter became standard equipment on the $1500 speed truck. This model was quickly adapted to every transportation need, with school buses a high priority. In 1922, the
company was the first to install a special school bus body on a truck chassis and to offer it as a standard factory-built item.

The decade of 1930-1940 proved to be a time of rocketing growth for International Harvester despite the Depression and unfavorable economic conditions prevailing at the time. Two major technical advances emerged in the industry: the overhead-valve engine and the articulated truck and semi-trailer. Haulers learned they could double their carrying capacity without greatly increasing their costs. Economics of scale were taking hold. Twenty-ton loads became feasible in 1935 when the company introduced a second rear axle and took instant leadership in the six-wheeler category. Another International truck innovation in the '30s was the introduction of the cab-over-engine truck model, the C300 in 1934.

At this time International Harvester engineers were developing diesel engine technology. On April 20, 1933, the first of the company's diesel engines, the Model D-40, was built at the Tractor Works in Chicago. The D-40 was a four cylinder, four cycle, "4 3/4" x "6 1/2" overhead valve pre-combustion type full diesel engine.

The volume of truck production had reached a point by 1937 that justified the construction of a plant to be devoted exclusively to the production of truck engines. Indianapolis was chosen as the location for this plant. The first truck engine was built at the Indianapolis plant in March 1938.
During 1941, the 1 millionth International truck was produced, but this year saw a sudden curtailment in civilian truck production, as the US government asked the company to devote most of its designing efforts and manufacturing capacity to the production of a variety of all-wheel drive military vehicles. Finally a government order for complete cancellation of civilian production ceased production of the "K" line designated trucks. World War II military production concentrated on half-track vehicles, transport trucks, gun mounts, shells and other military material.

In 1940, International Harvester Company had total sales of $274,682,000 of which truck sales represented $82,525,000. The Company employed 52,000 with 5,606 retired employees. Net income was $23,161,110, or $4.11 per share of common stock.

After the war when truck production resumed, the company introduced the "W" series trucks, which were built in a new facility in Emeryville, California. These were the Western models, which had been designed from the ground up to use diesel engines although gasoline engines were still standard. The diesel had a strong following in the western states, and the company was the first manufacturer to offer a series of heavy duty diesel trucks.

Another development after the war was the change in labor relations. Employees in six plants with 17,000 employees replaced their works councils and unaffiliated local unions with the United Auto Workers union. Free collective bargaining with a minimum of government intervention was now being tried on a large scale for the first time.

Management’s commitment to fair employment was unique in American industry at this time. The company quietly developed a comprehensive plan for equal employment opportunity and creating
diversity in the workforce after World War II. The UAW was a valuable ally in carrying on the nondiscrimination policy initiated by the company.

In addition, the old Chatham plant was replaced by a new plant in that city in 1948.

Truck transportation and the demand for more and better trucks swept along even faster than the booming general post-war economy. In 1948, the company produced a record 165,000 units. The "L" line introduced in 1949 included cab-forward truck designs and consisted of 87 different basic chassis models. The "R" line introduced in 1952 had 168 chassis in 296 wheelbase lengths.

With the great demand for International Harvester products, the Company acquired a number of new plants and plant sites to meet the post-war demand. In 1945 the Company purchased the former Buick aviation engine plant at Melrose Park, Illinois to expand its production of diesel engines ranging in size from 35-horsepower to 200-horsepower.

By 1951 International Harvester was a billion dollar corporation, and truck sales ($573,664,000) surpassed farm equipment sales for the first time in Company history later that same decade.

Specialization in trucks and the diesel truck business reached heights undreamed of in a few years. To cope with this situation, a truck engineering center and laboratories were opened in 1952 in Fort Wayne, Indiana.

The growth in popularity of diesel-powered trucks became the most dramatic industry change. Diesel fuel provides better fuel economy (over 20 percent) and was less expensive and safer than gasoline. Total U.S. factory sales of diesel-equipped trucks jumped from more than 10,000 units in 1954 to nearly 65,000 in 1964. During the same period, sales of International trucks with diesel engines climbed from more than 1,000 to nearly 15,000. This total represented 22.8 percent of industry sales, a larger share than any other truck manufacturer. In
1960, the company designed its first diesel engine for use in trucks. It was used in the B-160 medium-duty truck, which was recommended for city pick-up, delivery work and other applications not requiring extreme loads and high road speeds.

The company entered the off-highway truck business in 1957 with the introduction of two vehicles an 18-ton Model 65 Payhauler and a 24-ton Model 95 Payhauler.

In the 1960s International Harvester continued to expand its truck line and its production facilities. In 1965, the Truck Division built a new and modern plant in Springfield, Ohio. This same year sales for truck exceeded $1 billion, surprising the whole transportation industry.

In 1963 the Emeryville plant was closed, and production moved to a newer and larger plant at San Leandro, California. The San Leandro truck (DCOT-405) rolled off the assembly lines on August 15, 1963. The new plant became the largest and most modern heavy-duty truck manufacturing plant west of the Mississippi. At Emeryville, the company had achieved a number of firsts: the swing fender, jointed steering, hinged instrument panels, improved variable rate springs and the first tilt cab diesels.

During 1977 the Company began production of the S-Series truck. It is the first truck to be built from scratch for easy modification to many vocations. Within months of their introduction, S-Series trucks in cabover and conventional configurations could be found in such varied vocations as over-the-road hauling with van trailers, refrigeration vans and tankers; construction applications with dump trucks, mixer bodies and dump trailers; refuse
trucks with packer bodies; straight trucks for local van delivery; bottlers, fuel oil delivery and stake bodies for farm applications. All of this versatility was achieved with 30% fewer parts. Much of this reduction was due to standardization of cab design, and use of robot welders in cab assembly was an industry first.

In 1979 strong market demand, improved market share and cost controls resulted in an all-time record net income of $427 million on sales of $7.0 billion. Then a six month strike with the United Auto Workers at North American plants (November 1979 - April 1980) hurt the company. A deep recession then started in 1980 when interest rates went as high as 21.5 percent. For the first time in company history all three of the company's principal markets -- trucks, agricultural equipment and construction equipment -- were depressed on a worldwide basis at the same time. With a lowered credit rating the company was essentially banned from a traditional source of low cost working capital - the commercial paper market and became dependent on high-cost bank loans. Management took a number of actions to remain viable: Refinanced its debt with 200 lenders; sold its Solar turbine engine business in July, 1981; sold its construction equipment business in November, 1982; reduced employment; closed plants; and sold its agricultural equipment to Tenneco, Inc. on November 26, 1984.

During this crisis, International Harvester was able to introduce several new products: the International 9670 cabover heavy-duty truck with aerodynamic design reducing fuel costs as much as 10 percent while increasing operator comfort; the International 2375 and 2575 LCO's (for "Low Cost of Ownership") - heavy highway tractors, the most fuel efficient class 8 tractor in the industry, with special cab fairings and air deflector reducing wind-averaged aerodynamic drag by 23 percent; and the 6.9 liter diesel engine used in Ford pickup trucks and vans (shipments to Ford increased from 4,000 units in 1981 to 54,000 units in 1983).

The company had to consolidate its truck production to return to profitability. On July 15, 1983 the last truck was built at the Fort Wayne assembly plant. The production of the "S" line series of trucks was moved to Springfield with the Paystar and Transtar conventionals and the customized heavy duty models going to the Chatham plant. By the end of 1984, only diesel-powered trucks were being produced at the assembly plants.
On February 20, 1986 the Company officially changed its name to Navistar International Corporation. As part of the disposition of the Company's agricultural equipment business in 1985, all trademarks, patents and trade names primarily related to the agricultural equipment business were sold to Tenneco including the "IH" logo and the name "International Harvester". Navistar is not a real word, but a created one. Its roots are "navigate," meaning to steer a ship, and "star" with multiple meanings from a "luminous body" to "outstanding performer" - all positive connotations.

In November 1986 the company successfully undertook a significant step in rebuilding Navistar's financial health through a recapitalization plan to address the company's high interest expense, leveraged capital structure, preferred stock dividend and its remaining unfunded vested pension liability. One of the company's valuable attributes was its ability to utilize its existing federal income tax net operating loss ("NOL") carryovers against future taxable income of the company. Then in March 1987 the shareowners approved a plan to restructure the company to create a holding company to give it greater flexibility in management and financing. Finally to deal with the disproportionately high postretirement benefit costs, the shareowners approved a complex proposal to deal with this issue in June 1993, which included a 1-for-10 "Reverse Stock Split."

John R. Horne was elected President and Chief Executive Officer in April, 1995 and Chairman in April 1996. During this period the company has achieved the highest level of sales since the record year of 1979 and net income of $164 million in 1995 and $65 million in 1996. The company also unveiled a new five-point truck strategy to increase returns to shareowners by meeting 15% return on assets
("ROA") targets and began a comprehensive program to substantially reduce the complexity to lower truck manufacturing costs.

During fiscal 1995, Navistar acquired the remaining interest in American Transportation Corporation (AmTran), a school bus body manufacturer located in Conway Arkansas. Navistar first acquired a one-third interest in AmTran in 1990. In 1996 stripped chassis production was concentrated at AmTran.

Navistar announced in November, 1996 that it was building an assembly plant in Escobedo, Nuevo Leon, Mexico to serve the Mexican and Latin American truck demand. The Company and its predecessors have been doing business in Mexico since 1879 with the first International truck sale in 1926. The Mexican business includes a 24-dealer network and a centralized parts distribution operation. The 700,000 square-foot manufacturing facility will be completed in 1998.

On the diesel engine development front, the company applied its HEUI (hydraulically-actuated electronically-controlled unit injector) technology to lead the industry in meeting future emission standards. Using this technology, Navistar became the first diesel engine manufacturer to meet the stringent government-proposed emission standards for the year 2004. Smog-producing nitrogen oxide (NOx) levels were reduced without increasing particulate emissions or sacrificing fuel economy. Navistar manufactures six-cylinder diesel engine models at its Melrose Park, Illinois engine plant and produces V-8 engine at the Indianapolis, Indiana engine plant. In addition, the company manufactures castings and other engine components at facilities in Indianapolis and Waukesha, Wisconsin.

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