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Navistar Announces V Manufacturing Strategy for Next Generation Engines Featuring Green Diesel Technology(SM)

CHICAGO, April 23 -- Navistar International Corporation (NYSE: NAV) today announced plans for a new facility in Huntsville, Ala., to produce a new line of diesel engines. Navistar is a worldwide leader in the manufacture of mid-range diesel engines which are produced in a range of 160 to 300 horsepower for its International® brand, and a private label designer and manufacturer of diesel engines for the full-size pickup truck and van markets. The company has developed a new line of high technology, high performance diesel engines designed to meet stringent emission regulations and explore new markets.

The company also announced that its award-winning Indianapolis engine plant has been designated a "high volume" production facility that will focus on producing next-generation diesel engines for Ford Motor Company. The company has a contract to design and manufacture high-technology diesel engines for Ford's over 8,500-pound GVW vehicles through 2012.

Dan Ustian, Navistar group vice president and general manager of the engine and foundry division, said the planned purchase and refitting of the Huntsville facility represents a \$250 million investment and is contingent on ratification of incentives offered by and through the State of Alabama.

The new designation for Indianapolis and the refitting of the Huntsville facility result from demand to produce next-generation Green Diesel Technology(SM) engines for OEM customers as well as increased demand for engines for Navistar's International brand of trucks and buses, Ustian said.

"This focused facility strategy is an extension of our partnership with our customers," Ustian said. "It will facilitate the transition from the current product to the next generation diesel engine and strengthens our diesel technology leadership position for the International brand and our OEM customers."

According to Ustian, the Indianapolis plant has shown time and time again its ability to meet customer demands, as evidenced by 10 significant production increases since 1994. From 1995 through 1999, Navistar will have invested more than \$280 million at Indianapolis, and the new focused facility strategy will involve another significant investment.

With daily production having increased from an original capacity of 500 per day to the current 1,300 per day, the Indianapolis plant is the highest-volume single producer of mid-range diesel engines in the industry. Late in 1998, it was cited by Industry Week magazine as one of the 10 best manufacturing plants in North America. A third engine facility in Melrose Park, Ill., produces premium International engines for medium and severe service trucks and buses.

Ustian said the company is developing new engines that will help Navistar and its customers meet reduced diesel emission standards in advance of the 2004 compliance deadline set by the Environmental Protection Agency.

"We are committed to developing leading-edge technology that builds on our history of industry innovations," Ustian said. "By creating applications for Green Diesel Technology(SM), we will meet customer expectations for performance and society's demand for clean air solutions."

Officials in both Alabama and Indiana said that the decision by Navistar to expand operations would be a boon to local economies.

Alabama Governor Don Siegelman said the decision to build Navistar-designed engines in Huntsville is "more than hundreds of jobs, it is hundreds of families who will be given the chance to succeed and give their families something better."

Larry Gigerich, president of the Indianapolis Economic Development Corporation, said the "investment represents another vote of confidence for Navistar's local workforce and the Indianapolis region's ability to grow manufacturing-based companies.

"A strong local workforce and a commitment to technology will be key to our continued economic success," Gigerich said.

"Navistar's investment is significant and this venture will provide good, high-wage jobs for Hoosiers," said Indiana Lt. Gov. Joe Kernan, who heads the state's economic development efforts. "This is the type of project that helps local economies thrive and it is something we are proud to support."

Navistar International Corporation, with world headquarters in Chicago, and 1998 annual sales of \$7.9 billion, is a leading North

American producer of International brand heavy and medium trucks and school buses. The company is also a worldwide leader in the manufacture of mid-range diesel engines which are produced in a range of 160 to 300 horsepower for the International brand, and a private label designer and manufacturer of diesel engines for the full-size pickup truck and van markets and selected industrial and off-highway markets.