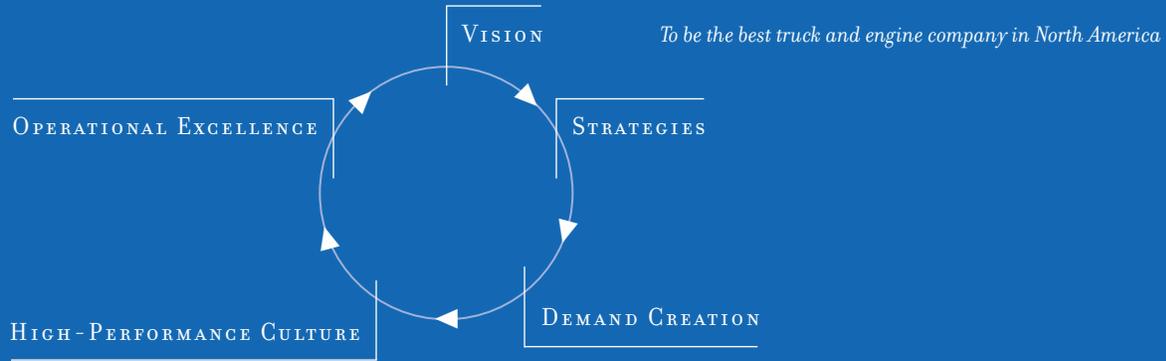


Our vision is to be  
the best truck and  
engine company  
in North America.

**NAVISTAR.**

**BEYOND**

## THE NAVISTAR BUSINESS MODEL



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**ON THE COVER: The Diamond Road logo on our vehicles is the symbol of the leading truck, bus and engine brand—International®—and represents our promise for *Delivering. Beyond the Expected.*<sup>SM</sup>**

The difference between **WINNERS** and losers is **5** minutes.

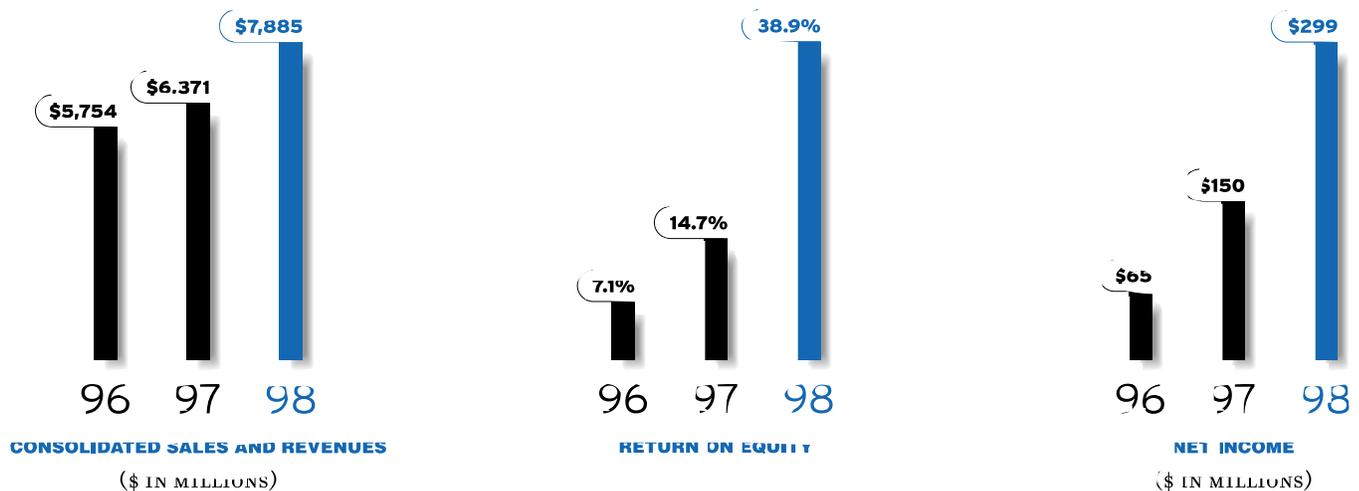
# OND

# Financial Summary

FOR THE YEARS ENDED OCTOBER 31

Millions of dollars, except per share data and percentages

	1998	1997
Sales and revenue	\$7,885	\$6,371
Income before income taxes	\$ 410	\$ 242
Net income	\$ 299	\$ 150
Diluted earnings per share	\$ 4.11	\$ 1.65
Manufacturing gross margin	15.3%	14.2%
Return on equity	38.9%	14.7%
Cash and marketable securities	\$1,064	\$ 965



## ACHIEVEMENTS OF 1998

- Generated sufficient cash flow to spend \$300 million in capital, to fund \$400 million for retiree health care and pension, and to repurchase 6.1 million shares of common stock, ending the year with a cash and marketable securities balance of nearly \$1.1 billion.
- Won recognition for the Indianapolis engine plant from *Industry Week* magazine as one of the top 10 manufacturing facilities in North America.
- Selected to negotiate extended-term agreement to supply V-6 diesel engines for Ford light-duty trucks and sport-utility vehicles.
- Completed the Escobedo, Nuevo Leon, Mexico assembly plant on time and on budget.
- Introduced the International® Eagle® 9900 to the marketplace, combining classic style, driver comfort and high performance.
- Broke ground on a stamping and cab assembly plant in Springfield, Ohio, that will be utilized in producing the Next Generation Vehicle.
- Began providing South America with International brand trucks through a new operation in Brazil.
- Signed a letter of intent to create a joint venture in Brazil to manufacture diesel engines for Ford and other customers in South America.
- Launched the repositioning of the International brand to attract the customers who value what we offer.
- Improved first-time quality by 8 percentage points and productivity by almost 12 percent in the truck group, while the engine division reduced the number of hours per engine by 6 percent.

# Beyond...

**It has been said that the difference between winners and losers is five minutes.**

**T** **O OUR SHAREOWNERS:** Winners do what's needed to find solutions—to ensure success. Winners face challenges head on and don't quit until they've won. At Navistar, we proved in 1998 that we are winners. If there is one thing that became clear this year, it's that we are a team that knows how to succeed, and together we are ready to deliver beyond the expected.

At the beginning of 1998 we set great goals. We were confident we would achieve them, although we didn't know every step we would take. That's because great goals cause us to stretch, to be creative and to take risks. With those great goals, a strong vision, clearly articulated strategies and a team of believers, we delivered:

- Growth in net income to \$299 million, nearly doubled from 1997;
- Gross margins of 15.3 percent, up from the previous year's 14.2 percent; and
- Return on equity of 38.9 percent, putting us on a clear path toward our target of a 17.5 percent average return over the cycle.

As I look back on 1998, I am especially proud of two things. First, is that we are at a point as a company where *we build success upon success*. We learn from our achievements, hone them, build off them and achieve

even greater feats as a result. That's how we delivered beyond the expected in 1998:

- Our Indianapolis Engine Plant was recognized by *Industry Week* magazine as one of America's 10 best plants, certainly because of operational excellence, but largely driven by a new workforce culture.
- Our new plant in Escobedo was built on time and on budget. We then took what we learned in Mexico and applied it to Brazil where we've begun to build trucks to serve South America.
- We expanded our relationship with Ford into V-6 engines for an entirely new market opportunity—under 8,500-pound gross vehicle weight trucks. We also announced a joint venture with Maxion Motores in Brazil to produce V-8 engines for Ford's South American products.
- Navistar Financial Corporation delivered a return on equity in excess of 15 percent for the fifth year in a row.
- We clearly defined the promise of the International brand—a promise we must always remember and one we will deliver on every day as we drive a culture that leverages our individual strengths to best serve our customers. We relaunched the International brand in a new ad campaign that included network television commercials to demonstrate our customer focus and reignite the unparalleled pride of our employees.



Second, and what *I'm most proud of: our people*. In 1998, we gained back a belief in ourselves and in Navistar. With a commitment to very aggressive goals, we worked together, every single one of us, to accomplish results that were not only beyond expectations, but beyond what many thought possible just a few years ago.

We truly have created a climate for performance, fueled by clear direction and open and constant communication. We proved this year that, when we focus on being the best and when we drive our strategies as a team, we can reach even the most ambitious goals. When I reflect on what we've accomplished as a team—management, labor leaders, employees throughout the company, suppliers and our dealer organization—I see people who don't offer excuses, but who reach out to offer solutions.

It's important to recognize our accomplishments of 1998. But it is even more important to understand that *this is just the beginning*. Like true winners, we celebrated

our 1998 successes, and then we raised the bar on performance for 1999. We understand that to be the best, we have to raise the bar and challenge ourselves to do even more.

*The most critical outcome of our 1998 performance is the foundation it sets for continued success in 1999 and beyond.* The challenges of 1999 will be just as big as those we faced in 1998, if not bigger. This year we have built strategic, well-thought-out plans in place to reach our goals. Even more importantly, we have the people with the confidence and the commitment to address all the challenges, big and small, that will come our way.

Ours is a cyclical industry and many bets are on the table as to when the next downturn will come. We're not distracted by the speculation game because we're not gambling. We have solid plans in place to achieve our goals at several volume levels. In fact, our performance target as a company, and as individuals, is adjusted to *ensure that Navistar is neither a victor nor a victim of industry volume*.

In my letter to you last year, I wrote: "Let our competition be on notice: this is a *new* Navistar—a company of believers, a team of winners." In 1998, we proved that to be true. In 1999, there's just one difference. This is no longer a *new* Navistar—this is Navistar. We've proven we can win and in 1999 we will win again.

John R. Horne

*Chairman, President and Chief Executive Officer*

**EXECUTIVE TEAM** The Navistar team leading the drive to achieve the vision of being the best are (front row, left to right) John R. Horne, chairman, president and chief executive officer; Donald DeFosset, Jr., executive vice president and president, truck group; (second row, left to right) Pamela J. Hamilton, senior vice president, human resources and administration; Robert C. Lannert, executive vice president and chief financial officer; Maril G. MacDonald, vice president, corporate communications; Robert A. Boardman, senior vice president and general counsel; (third row, left to right) Mark Schwetschenau, vice president and controller; Daniel C. Ustian, vice president and general manager, engine and foundry; Thomas M. Hough, vice president and treasurer; and John J. Bongiorno, vice president and general manager, financial services.

The workplace culture of the Indianapolis Engine Plant was cited by *Industry Week* magazine as one of the reasons why the operation was named one of the top 10 manufacturing facilities in North America. Individuals like Kim Thomas, who tightens valve covers on the first shift at Indianapolis, are among the many people who deliver improved performance throughout the company.

V I S I O N



## VISION

**Beyond** Achievement**O**UR VISION IS TO BE THE BEST TRUCK AND ENGINE COMPANY IN NORTH AMERICA.

This year, by building on our successes, we made tremendous progress toward achieving that vision—driving customer satisfaction, shareowner value and employee motivation and pride.

Among the evidence of our progress is our growing relationship with Ford Motor Company, our major engine division customer. At the end of last year, we celebrated the renewal of our contract with Ford. This year, we increased our production for Ford by 17 percent, shipping them 207,000 engines. By the end of the year, we were producing 1,176 engines a day at the Indianapolis plant. We're now extending our relationship with Ford into V-6 engines, developing an entirely new opportunity in the under 8,500-pound market of sport-utility vehicles, vans and pickups. Most recently, we expanded our Ford relationship into Brazil, where we're forming a joint venture to produce V-8 engines for Ford's South American vehicles.

Our truck and bus customers confirmed that we are making progress toward our vision of being the best. They chose the International brand more than any other, building our truck and bus share in the United States and Canada to an industry-leading 28.9 percent, up from 28.6 percent in 1997. While we maintained our market share in heavy trucks at approximately 19.0 percent, our share in all other areas increased compared to the prior year: in medium trucks, to 38.5 percent from

36.8 percent; in severe service, to 19.9 percent from 17.0 percent; and in bus, to 61.6 percent from 59.6 percent. In Mexico, we built our market share to 18.3 percent, growing 7.4 percentage points in a single year.

Our momentum helped drive stronger financial results. Net income this year was \$299 million, compared with \$150 million in 1997. Manufacturing gross margin improved to 15.3 percent, up from 14.2 percent the year before. Earnings per diluted common share increased to \$4.11, compared to \$1.65 last year. This strong performance gave us 1998 return on equity (ROE) of 38.9 percent, putting us in position to deliver ROE of 17.5 percent over the business cycle.

As we've built a consistent track record of success, our employees have become even stronger believers in our vision. Our all-employee survey showed that 74 percent of employees believe we are on the right track as a company, compared with 25 percent a year before. Make no mistake about it: we're now a company of believers, confident that we're on the road to becoming the very best.

## Beyond Expectations

### **O**UR STRATEGIES PROVIDE US WITH THE ESSENTIAL ROAD MAP FOR BUILDING ON OUR SUCCESSES IN A FOCUSED WAY.

In 1998, our truck, engine and financial services groups all delivered on their strategies by creating value propositions targeted at specific customers, focusing their product lines, delivering new and improved products, expanding internationally, and investing in the future.

A year ago, our drive for international expansion led us to re-establish ourselves in Mexico. This year, we built rapidly on that foundation, completing the Escobedo plant on schedule and on budget. We hired an entire workforce, trained them in truck assembly and showed them how we work together as a team. By February, we produced our first pilot International 4700 at Escobedo. We expanded from 38 to 48 International dealer locations and quickly covered more than 85 percent of the Mexican market.

Then, we built on what we learned in Mexico to expand into Brazil. We began truck production in Caxias do Sul, and established 10 dealerships to cover six major urban markets. In our engine business, we also found ways to serve Ford through a joint venture with Maxion Motores, the South American market leader. Building from success to success, we are becoming a major player in Latin America.

Our engine group addressed changing customer needs, unveiling two new International T444E diesel engines offering low emissions vehicle ratings that are critical for fleets affected by the Clean Fuel Fleet Vehicle (CFFV) initiative. Because of our technology leadership, Navistar received unconditional EPA certification of its engines for model year 1999. Building our leadership position, we announced plans for a joint venture with Siemens Automotive Systems Group that, in 2002, will begin producing next generation diesel fuel injectors incorporating proprietary digital valve technology under license from Sturman Engine Systems, LLC.

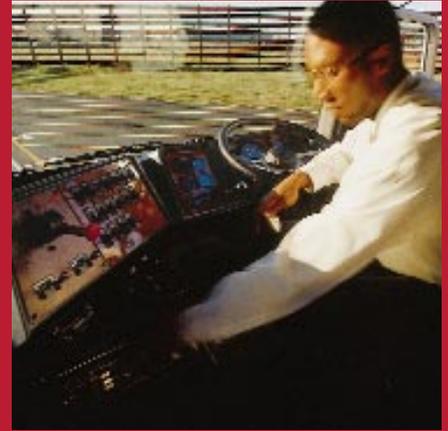
Navistar Financial Corporation (NFC) focused on supporting the strategies of the truck group by providing competitive, comprehensive financial services. This year, NFC financed 95 percent of dealer inventory and more than 26 percent of end-user sales of International brand heavy trucks, compared with 21 percent in 1997. In medium trucks, NFC financed 12 percent of the vehicles, up from 11 percent in 1997. By strategically supporting customers and dealers, NFC earned in excess of a 15 percent return on equity for the fifth year in a row.

As we enter 1999, Navistar continues to focus on well-defined strategies that will sustain our competitive advantage. Our accomplishments in support of those strategies underscore our growing track record of performance.

Larry Kuhn, chief configuration engineer; Andy Zielinski, chief engineer; and Brad Hively, chief engineer (left to right) are leading efforts that range from ongoing innovations like the Easy/Tilt™ hood for improved driver ergonomics in the current buses to development of the next generation school bus.



To drive opportunities for growth, International brand trucks are designed for export markets. Associate designer Brent Beard is part of a team focused on developing the right hand drive vehicle for markets such as South Africa and Australia.



STRATEGIES

Chief configuration engineer Phil Smith is part of the new severe service vehicle center team focused on the application expertise required to meet customers' specialized needs for durable, reliable trucks.



Product development continued on the next generation vehicles at the truck group's technical and engineering center in Fort Wayne, Ind. through the efforts of employees like Dave Beigler, industrial designer.



**Ryan Dennis (right) and Steve Johnston, employees at the Chatham Assembly Plant, build the International Eagle 9900, which was introduced to owner-operators and small fleet owners in 1998. The International Eagle 9900 is gaining recognition for the classic styling of the hood, driver comfort and power.**

DEMAND CREATION



## DEMAND CREATION

**D**EMAND CREATION MEANS UNDERSTANDING OUR OWN STRENGTHS AND OUR CUSTOMERS' NEEDS, THEN COMMITTING OURSELVES TO DELIVER VALUE IN NEW AND BETTER WAYS.

In the last year, we've made great strides in re-launching the International brand, building on a legacy of nearly 100 years. Last year, we began extensive research on the power and equity of the brand. With new insights into our customers' perceptions and needs, we took decisive action to continue building brand equity to strengthen our market position by attracting customers who value what we provide.

International is a leading brand, as our research of truck and bus purchasers, dealers, employees and financial analysts confirmed. When truck and bus purchasing decision makers were asked to name the top brands that came to mind, International led the way. In addition, customers value our extensive dealer network, and believe that the International name stands for durability, reliability and people you can trust.

Building on these insights, we developed specific value propositions for each of our businesses, enabling us to focus on what our customers most value. We then launched our most aggressive advertising campaign in

## Beyond the Basics

more than a dozen years to demonstrate our commitment for *Delivering. Beyond the Expected.*<sup>SM</sup> The campaign, which reached the industry through national broadcast and print media, put everyone on notice that the International brand goes beyond the basics of its trucks, buses and engines.

We went beyond the basics with our product development, including the new International Eagle<sup>®</sup> 9900, the flagship of the 9000 series, which combines classic styling, added driver comfort and the high performance made possible by its 600 horsepower engine.

We are also leading the way with innovative services such as our Diamond SPEC<sup>™</sup> program, which simplifies the truck ordering process and accounts for 80 percent of the premium conventional stock trucks ordered by dealers. Introduced this year in our medium truck line, Diamond SPEC already accounts for approximately 70 percent of dealer stock orders. This year, we also introduced Diamond Advantage<sup>SM</sup>, a parts and service purchase card designed to meet the special needs of owner-operators and small to medium fleets.

This marks a new attitude and new era for our organization. To deliver on our promise to customers, we link the brand with high performance culture and operational excellence to create real value every day. Ultimately, all of us associated with the International brand must deliver on our promise and provide customers with vehicles, technologies and services that are beyond what they expect—backed by the support they have come to expect from us.

## Beyond the Workplace

**O**UR HIGH-PERFORMANCE CULTURE MOBILIZES OUR PEOPLE TO ACHIEVE OUR VISION. It improves our work environment while also improving customer satisfaction and shareowner value. A healthy, powerful culture is essential to Navistar's success, and we focus as much attention on its development as we do plant construction, product innovation and financial management. We made considerable progress in 1998 in creating the culture we need to carry us forward.

Key to Navistar's culture is management accountability, and during the year we continued to align the company's leadership behind a shared set of values and guiding behaviors. This is being accomplished through a number of initiatives including leadership training, intensified communication and changes in human resource systems. As a result, we're not managing but leading. As leaders, we are inspiring employees throughout the company to make the right things happen.

For example, we've implemented an action planning process that focuses on culture and emphasizes employee involvement. Through this process and other initiatives, improvements in productivity and health and safety were achieved in our truck operations. In the engine division, action plans focused on respect for people and accountability, leading to better two-way communications, better employee recognition and more complete understanding of the division's business goals. At NFC, action plans addressed key values and led to new policies to ensure accountability and achieve a reduction in turnover. Companywide, we also intensi-

fied our commitment to build and support a diverse workforce. Councils were created at major locations to assess diversity needs, and to drive actions forward in this area.

Helping to drive our culture is the continued roll out of "High-Performance Culture" workshops. These workshops are designed to teach employees about Navistar values and how to apply them to their work. More than 6,700 employees have participated in the workshops, and our operations have committed that all employees will participate in similar workshops by the end of 1999.

In the coming year, we will continue to strengthen our cultural infrastructure by providing greater support to supervisors. Supervisors will attend a newly developed workshop designed to help them become better coaches to their employees. We also are developing a cadre of specially trained "master coaches" who will serve as a resource to those who manage others.

We expect these new programs to enhance our climate for performance. Feedback from our annual survey confirmed that a high and growing percentage of employees believe the company is headed in the right direction. Moreover, progress was achieved in living each of the values that drive our culture. At the same time, we recognize there is considerable room for improvement and that continued progress will be invaluable in mobilizing all of us to deliver on our vision to be the best.

H I G H - P E R F O R M A N C E C U L T U R E



Paul Gambino, quality systems coordinator; Dennis Jadin, chief engineer; and Nobel Chen, quality systems integration (left to right), built on successes at Melrose Park, which achieved a recommendation for QS 9000 certification, to obtain a similar recommendation for the Indianapolis engine and foundry businesses. The QS 9000 goal is to develop systems that provide continuous quality improvement.



Compensation and career development action teams were formed after the SpeakUp! survey results at Purchasing & Supplier Development to focus on the respect for people and innovation values. Frishta Stinson, senior buyer, drivetrain group (front) and Jan Prochazka, purchasing assistant, drivetrain group, were part of an action team that developed recommendations in both areas.



As an action team with an eye on customer focus, Miami, Fla.-based sales administrator Millie Mejia and Marwan Hallas, marketing and sales support manager at headquarters, created a training module for sales administrators and executives for international operations. It proved so successful that the module continues to be requested beyond its initial presentation.



An action team made up of J.J. Schultz, material handler; Lori Billick, customer service representative; and Leslie Bastian, stock records analyst (left to right), developed a recognition system called STARS (Stop Today And Recognize Someone) for employees at the West Chicago Parts Distribution Center. STARS was developed to focus on the value of respect for people.



To meet customer needs, the west coast region of Harco Insurance, a wholly owned subsidiary of NFC, focused on sharpening service to International dealers. The results include 100 percent retention of dealers' insurance renewals as well as the signing of seven new dealers. Kevin Brummell, regional administrative supervisor; Thelma Cobbins, regional underwriting manager; and Arlene Fitte, underwriting clerk (right to left), are part of the customer-focused team.

**Fernando Mason, a process engineer and Black Belt (left), tackled downtime issues in the frame assembly department at the Springfield plant. This Black Belt project recorded cost savings of more than \$250,000 as measured by a reduction of downtime in terms of minutes per day. Metrics are recorded at the end of the line, which is supervised by Michael E. Hull, first shift team leader.**

OPERATIONAL EXCELLENCE



**WE MET DEMAND FOR OUR PRODUCTS AND SERVICES WITH A FOCUS ON IMPROVED PRODUCTIVITY AND QUALITY IN ALL THAT WE MAKE AND DO.**

As average daily production at our vehicle assembly plants increased by almost 24 percent, the truck group was also able to increase first-time quality by 8 percentage points and to improve productivity by almost 9 percent. The group also identified process improvements that will further reduce the cost of quality and shorten the process of moving from proposal to delivery.

As daily production at the Indianapolis and Melrose Park engine plants rose by 24 percent in 1998, the engine group improved productivity and reduced the number of hours required per engine by 6 percent. The group helped reduce warranty costs by more than 40 percent for the truck businesses. Additionally, we were able to reduce warranty costs by 33 percent for our major external customer, Ford Motor Company, and surpassed Ford's quality goals by 18 percent.

In our parts business center, the year's record operating performance was made possible by another new record: an order fill rate of 97.5 percent, achieved at a time when we delivered more parts than ever. The purchasing and supplier development group launched

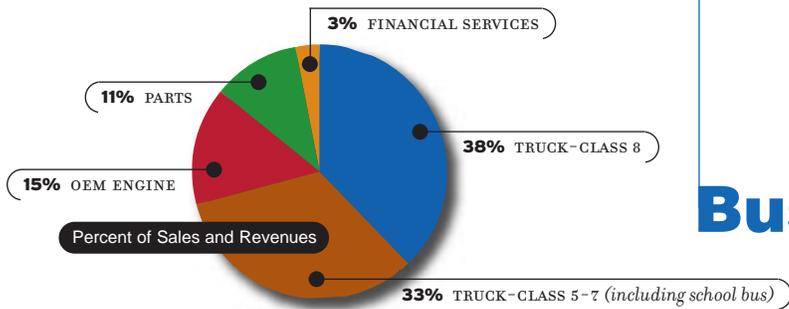
## Beyond What's Required

an initiative called COMPASS (COst Management PARTners Sharing Savings) with a goal to set the industry standard for supplier-generated cost reduction programs. At NFC, we improved our credit response times and achieved a 96 percent success rate in responding to fleets in less than one day and to our non-fleet customers within 10 hours.

Our Six Sigma company-wide quality initiative was started in 1997 and has generated \$15 million in savings. During 1998, more than 130 "Black Belt" quality experts targeted more than 500 projects and completed approximately 135 projects, each one aimed at achieving at least a 50 percent reduction in the cost of quality. Even more employees will participate in the quality program as Green Belts. Taught and mentored by Black Belts, Green Belts remain on their regular jobs, where they apply their new skills to specific projects. All 45 of the company's senior executives are committed to undergo an accelerated Green Belt curriculum in 1999.

Our health and safety programs continued to deliver results and included a 6 percent improvement in worker compensation costs, a 10 percent reduction in the incidence frequency rate and a 22 percent improvement in our lost time case rate.

As we move forward, we will continue to drive productivity and quality improvements. As a result, customers will get their products and services delivered how and when they want them; employees will gain improved job satisfaction through involvement and achievement; and shareowners will realize the benefits of the added value we deliver to the marketplace.



# Business Overview

## BUSINESS PROFILE



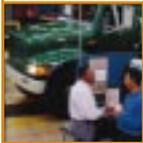
### HEAVY VEHICLE CENTER (CLASS 8)

International brand premium conventional tractors for long-haul, over-the-highway uses and regular conventional trucks for local and regional delivery



### SEVERE SERVICE VEHICLE CENTER (CLASS 8)

International brand trucks for construction, waste and other rugged applications



### MEDIUM VEHICLE CENTER (CLASS 5-7)

International brand trucks with applications including regional delivery, beverage, refrigeration, utilities, towing, municipalities and emergency rescue



### BUS VEHICLE CENTER

International brand buses with a range of small capacity and full-size conventional models. In addition, through a wholly owned subsidiary, produces school bus bodies and integrated transit school buses for the AmTran nameplate

## PRODUCT LINE

### INTERNATIONAL 8000 AND 9000\* SERIES

\*Also available as Eagle model for superior styling and driver comfort

### INTERNATIONAL 2000, 4000 (TANDEM AXLE) AND 5000 SERIES

### INTERNATIONAL 4000 AND 1000 SERIES

### INTERNATIONAL 3000 SERIES CHASSIS, AMTRAN BUS BODIES AND INTEGRATED TRANSIT SCHOOL BUSES

## LOCATIONS

Chatham, Ont., which celebrated 50 years of production at its current location and where the International 9000 series is assembled, and Springfield, Ohio, where the International 8000 series trucks are produced

Garland, Texas (a joint venture, SST), where the 5000 series is produced exclusively, and Springfield, home of the 8000, 4000 and 2000 series trucks

Springfield, where the 5 millionth truck was assembled since the plant opened in 1963; and Conway, Ark., where the 1000 series stripped chassis are manufactured

Springfield, where more school bus chassis are produced than anywhere else and Conway, where AmTran bus bodies are integrated with the chassis

## ACCOMPLISHMENTS

- Introduced the International Eagle 9900 as the flagship, with orders coming in at twice the rate of the model it replaced
- Achieved record production rates at the Chatham Assembly Plant

- Launched as a new focused business
- Doubled the number of 5000 series trucks produced at Garland each day

- Won the J.D. Power award for service for the second consecutive year
- Attained a 70 percent level of stock trucks, ordered through the Diamond SPEC system

- Sold a record 3,378 integrated transit school buses
- Grew market share to 61.6 percent

BUSINESS PROFILE	PRODUCT LINE	LOCATIONS	ACCOMPLISHMENTS
 <p><b>INTERNATIONAL OPERATIONS BUSINESS CENTER</b> Assembly operations for the International brand, supported by dealerships and financial services in Mexico and Brazil to serve Latin America, as well as export capabilities</p>	<p><b>INTERNATIONAL 9000 AND 4000 SERIES TRUCKS ARE ASSEMBLED IN MEXICO AND BRAZIL; OTHER MODELS ARE SHIPPED TO EXPORT LOCATIONS</b></p>	<p>Escobedo, Nuevo Leon, Mexico, where the company built a world class assembly facility; Caxias do Sul, Brazil, where the company was the first truck maker to enter the country since 1979; and export operations in Dubai, United Arab Emirates; Johannesburg, South Africa; Miami, Fla.</p>	<ul style="list-style-type: none"> <li>■ Opened Escobedo plant on time and on budget with 48 dealers serving Mexico; achieved 18.3 percent market share</li> <li>■ Launched Brazilian operations, with an assembly facility and 10 dealers</li> </ul>
 <p><b>PARTS OPERATIONS BUSINESS CENTER</b> Largest truck parts distribution organization in the United States, Canada and Mexico with more than 1,000 International dealer locations</p>	<p><b>FLEET CHARGE</b> <b>DIAMOND ADVANTAGE</b> <b>FLEETRITE PARTS</b></p>	<p>Parts distribution centers and other facilities are located strategically for speed in delivery to dealers and customers: Atlanta, Ga.; Baltimore, Md.; Dallas, Texas; Richmond, Calif.; West Chicago, Ill.; Burlington, Ont.; Edmonton, Alberta; Cuautitlan, Mexico; Shawnee Mission, Kan.; Marshfield, Mo.; Brantford, Ont.; Westchester, Ill.</p>	<ul style="list-style-type: none"> <li>■ Achieved more than a 97.5 percent fill rate, a record performance</li> <li>■ Launched the Diamond Advantage purchase card</li> </ul>
 <p><b>ENGINE AND FOUNDRY DIVISION</b> Leader in production of mid-range diesel engines, ranging from 160 to 300 horsepower. Marketed under the International brand name and produced for other original equipment manufacturers</p>	<p><b>INTERNATIONAL T444E</b> <b>INTERNATIONAL DT466E</b> <b>INTERNATIONAL 530E</b></p>	<p>Melrose Park, Ill., winner of numerous environmental awards; Indianapolis, Ind., recognized by <i>Industry Week</i> magazine as one of the top 10 plants in North America and home to a foundry that produces precision gray iron castings; and Waukesha, Wis., producer of ductile iron castings</p>	<ul style="list-style-type: none"> <li>■ Reached agreement with Ford for V-8 production through 2012</li> <li>■ Earned unconditional EPA certification for 1999 model year</li> <li>■ Developed low emission diesel ratings for fleet customers affected by the Clean Fuel Fleet Vehicle (CFFV) initiative</li> </ul>
 <p><b>NAVISTAR FINANCIAL SERVICES</b> Provider of financing for retail customers and International dealers as well as insurance coverage</p>	<p><b>WHOLESALE FINANCING</b> <b>RETAIL FINANCING</b> <b>LEASE FINANCING</b> <b>PROPERTY AND CASUALTY INSURANCE COVERAGE</b></p>	<p>Rolling Meadows, Ill.; Atlanta, Ga.; Columbus, Ohio; Dallas, Texas; Mt. Laurel, N.J.; San Ramon, Calif.</p>	<ul style="list-style-type: none"> <li>■ Established a finance company in Mexico</li> <li>■ Increased financing share of International brand heavy and medium trucks</li> </ul>