UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(X) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended July 31, 2002

OR

( ) TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission file number 1-9618

NAVISTAR INTERNATIONAL CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	36-3359573
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

4201 Winfield Road, P.O. Box 1488
Warrenville, Illinois 60555
(Address of principal executive offices, Zip Code)

Registrant's telephone number, including area code (630) 753-5000

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to such filing requirements for the past 90 days. Yes X No ___

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PRECEDING FIVE YEARS

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes ___ No ___

APPLICABLE ONLY TO CORPORATE ISSUERS:

As of August 31, 2002, the number of shares outstanding of the registrant's common stock was 60,474,196.

NAVISTAR INTERNATIONAL CORPORATION
AND CONSOLIDATED SUBSIDIARIES

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PART I - FINANCIAL INFORMATION

ITEM 1. Financial Statements

STATEMENT OF INCOME (Unaudited)
Millions of dollars, except per share data

	Navistar International Corporation and Consolidated Subsidiaries			
	Three Months Ended July 31		**Nine Months Ended July 31**	
	2002	2001	**2002**	2001
Sales and revenues				
Sales of manufactured products	**$ 1,527**	$ 1,516	**$ 4,518**	$ 4,658
Finance and insurance revenue	**61**	70	**210**	224
Other income	**6**	11	**16**	35
Total sales and revenues	**1,594**	1,597	**4,744**	4,917
Costs and expenses				
Cost of products and services sold	**1,357**	1,318	**4,001**	4,098
Restructuring adjustment	**-**	-	**(1)**	-
Postretirement benefits expense	**58**	44	**174**	137
Engineering and research expense	**61**	58	**190**	188
Sales, general and administrative expense	**116**	135	**379**	393
Interest expense	**39**	42	**117**	125
Other expense	**2**	7	**20**	34
Total costs and expenses	**1,633**	1,604	**4,880**	4,975
Income (loss) before income taxes	**(39)**	(7)	**(136)**	(58)
Income tax expense (benefit)	**(23)**	(9)	**(60)**	(28)
Net income (loss)	**$ (16)**	$ 2	**$ (76)**	$ (30)
Earnings (loss) per share				
Basic	**$ (0.27)**	$ 0.03	**$ (1.27)**	$ (0.51)
Diluted	**$ (0.27)**	$ 0.03	**$ (1.27)**	$ (0.51)
Average shares outstanding (millions)				
Basic	**60.6**	59.5	**60.2**	59.5
Diluted	**60.6**	60.2	**60.2**	59.5

See Notes to Financial Statements.

STATEMENT OF FINANCIAL CONDITION (Unaudited)

Millions of dollars

	Navistar International Corporation and Consolidated Subsidiaries		
	July 31 2002	October 31 2001	July 31 2001
ASSETS			
Current assets			
Cash and cash equivalents	**$ 547**	$ 822	$ 392
Marketable securities	**10**	41	24
Receivables, net	**622**	917	707
Inventories	**714**	644	659
Deferred tax asset, net	**154**	145	192
Other assets	**135**	167	173
Total current assets	**2,182**	2,736	2,147
Marketable securities	**256**	222	434
Finance and other receivables, net	**1,251**	1,164	1,051
Property and equipment, net	**1,514**	1,669	1,885
Investments and other assets	**227**	169	171
Prepaid and intangible pension assets	**277**	272	308
Deferred tax asset, net	**851**	835	693
Total assets	**$ 6,558**	$ 7,067	$ 6,689
LIABILITIES AND SHAREOWNERS' EQUITY			
Liabilities			
Current liabilities			
Notes payable and current maturities of long-term debt	**$ 399**	$ 412	$ 424
Accounts payable, principally trade	**932**	1,103	876
Other liabilities	**692**	758	742
Total current liabilities	**2,023**	2,273	2,042
Debt: Manufacturing operations	**789**	908	916
Financial services operations	**1,417**	1,560	1,384
Postretirement benefits liability	**915**	824	682
Other liabilities	**366**	375	386
Total liabilities	**5,510**	5,940	5,410
Commitments and contingencies			
Shareowners' equity			
Series D convertible junior preference stock	**4**	4	4
Common stock (75.3 million shares issued)	**2,139**	2,139	2,139
Retained earnings (deficit)	**(261)**	(170)	(175)
Accumulated other comprehensive loss	**(361)**	(339)	(180)
Common stock held in treasury, at cost (14.8 million, 15.9 million and 15.9 million shares held)	**(473)**	(507)	(509)
Total shareowners' equity	**1,048**	1,127	1,279
Total liabilities and shareowners' equity	**$ 6,558**	$ 7,067	$ 6,689

See Notes to Financial Statements.

STATEMENT OF CASH FLOW (Unaudited)
Millions of dollars

	Navistar International Corporation and Consolidated Subsidiaries	
	Nine Months Ended July 31	
	2002	2001
Cash flow from operations		
Net loss	**$ (76)**	$ (30)
Adjustments to reconcile net loss to cash provided by (used in) operations:		
Depreciation and amortization	**169**	166
Deferred income taxes	**(22)**	(17)
Postretirement benefits funding less than expense	**38**	69
Other, net	**(105)**	(13)
Change in operating assets and liabilities, net of effects of acquisition:		
Receivables	**205**	231
Inventories	**(62)**	15
Prepaid and other current assets	**(30)**	(33)
Accounts payable	**(177)**	(226)
Other liabilities	**(7)**	(95)
Cash provided by (used in) operations	**(67)**	67
Cash flow from investment programs		
Purchases of retail notes and lease receivables	**(999)**	(791)
Collections/sales of retail notes and lease receivables	**1,011**	1,326
Purchases of marketable securities	**(90)**	(391)
Sales or maturities of marketable securities	**88**	112
Proceeds from sale of business	**63**	-
Capital expenditures	**(157)**	(213)
Payments for acquisition, net of cash acquired	**-**	(60)
Proceeds from sale-leasebacks	**164**	58
Property and equipment leased to others	**(24)**	(43)
Investment in affiliates	**1**	6
Capitalized interest and other	**(5)**	(21)
Cash provided by (used in) investment programs	**52**	(17)
Cash flow from financing activities		
Issuance of debt	**290**	578
Principal payments on debt	**(238)**	(229)
Net decrease in notes and debt outstanding under bank revolving credit facility and commercial paper programs	**(323)**	(295)
Debt issuance costs	**(6)**	(9)
Other financing activities	**17**	-
Cash provided by (used in) financing activities	**(260)**	45
Cash and cash equivalents		
Increase (decrease) during the period	**(275)**	95
At beginning of the period	**822**	297
Cash and cash equivalents at end of the period	**$ 547**	$ 392

See Notes to Financial Statements.

Navistar International Corporation and Consolidated Subsidiaries
Notes to Financial Statements (Unaudited)

Note A. Summary of Accounting Policies

Navistar International Corporation (NIC) is a holding company whose principal operating subsidiary is International Truck and Engine Corporation (International). As used hereafter, “company” or “Navistar” refers to Navistar International Corporation and its consolidated subsidiaries. Navistar operates in three principal industry segments: truck, engine (collectively called “manufacturing operations”), and financial services. The consolidated financial statements include the results of the company’s manufacturing operations and its wholly owned financial services subsidiaries. The effects of transactions between the manufacturing and financial services operations have been eliminated to arrive at the consolidated totals.

The accompanying unaudited financial statements have been prepared in accordance with accounting policies described in the 2001 Annual Report on Form 10-K and should be read in conjunction with the disclosures therein.

In the opinion of management, these interim financial statements reflect all adjustments, consisting of normal recurring accruals, necessary to present fairly the financial position, results of operations and cash flow for the periods presented. Interim results are not necessarily indicative of results for the full year. Certain 2001 amounts have been reclassified to conform with the presentation used in the 2002 financial statements.

Note B. Supplemental Cash Flow Information

Consolidated interest payments during the first nine months of 2002 and 2001 were $105 million and $138 million, respectively. Consolidated net tax payments (refunds received) during the first nine months of 2002 and 2001 were $(29) million and $4 million, respectively.

Note C. Income Taxes

The benefit of Net Operating Loss (NOL) carryforwards is recognized as a deferred tax asset in the Statement of Financial Condition, while the Statement of Income includes income taxes calculated at the statutory rate. The amount reported does not represent cash payment of income taxes except for certain state income, foreign income and withholding and federal alternative minimum taxes. In the Statement of Financial Condition, the deferred tax asset is reduced by the amount of deferred tax expense or increased by a deferred tax benefit recorded during the year. Until the company has utilized its significant NOL carryforwards, the cash payment of United States (U.S.) federal income taxes will be minimal.

The income tax benefit during the third quarter of 2002 increased by $8 million for research and development tax credits that will be taken against future income tax payments related to research and development activities in the current year. The income tax benefit in the third quarter of 2001 increased by $6 million for research and development tax credits as further described in the 2001 Annual Report on Form 10-K.

Navistar International Corporation and Consolidated Subsidiaries
Notes to Financial Statements (Unaudited)

Note D. Inventories

Inventories are as follows:

Millions of dollars	**July 31 2002**	October 31 2001	July 31 2001
Finished products	**$ 349**	$ 405	$ 421
Work in process	**112**	33	48
Raw materials and supplies	**253**	206	190
Total inventories	**$ 714**	$ 644	$ 659

Note E. Financial Instruments

Accounting for Derivatives and Hedging Activities

The company uses derivative financial instruments as part of its overall interest rate and foreign currency risk management strategy as further described under Item 7A of the 2001 Annual Report on Form 10-K.

The company is exposed to interest rate risk relating to changes in market interest rates. As part of its overall strategy to manage the level of exposure to the risk of interest rates adversely affecting net interest income or expense, the company uses interest rate swap agreements, interest rate caps, and forward contracts. The company is also occasionally required by third parties to use derivative instruments to make financing possible under sold note arrangements. These derivatives are used in asset-backed transactions in order to offset some portfolio-related risks.

The company is exposed to foreign currency risk relating to changes in certain foreign currency exchange rates. As part of its overall strategy to manage the level of exposure to exchange rate risk, the company uses forward contracts. These derivatives are generally designated and qualify as cash flow hedges.

On the date Navistar enters into a derivative contract, management designates the derivative as either a hedging or non-hedging instrument. Additionally, management distinguishes between fair value hedging instruments, cash flow hedging instruments, and other derivative instruments.

The company documents and accounts for derivative and hedging activities in accordance with the provisions of Statement of Financial Accounting Standards No. 133 (SFAS 133). The company recognizes all derivatives as assets or liabilities in the Statement of Financial Condition and measures them at fair value. When certain criteria are met, it also provides for matching the timing of gain or loss recognition on the derivative hedging instrument with the recognition of (a) changes in the fair value or cash flows of the hedged asset or liability attributable to the hedged risk or (b) the earnings effect of the hedged forecasted transaction. Changes in the fair value of derivatives which are not designated as, or which do not qualify as, hedges for accounting purposes are reported in earnings in the period in which they occur.

In connection with the $179 million floating rate portion of the $500 million sale of retail note receivables that closed in November 2001, Navistar Financial Corporation (NFC) entered into two interest rate swap agreements. The notional amount of each swap is $179 million. As of July 31, 2002, the fair values of the swaps are $2 million and $(2) million. The purpose of these swaps is to convert the floating rate interest of the bonds into fixed rate interest to match the interest basis of the receivable pool sold to the owner trust, and thereby protecting NFC from interest rate volatility. The net outcome, after applying the effect of these swaps, results in NFC paying a fixed rate of interest on the projected balance of the pool. To the extent that actual pool balances differ from the projected balances, NFC has retained interest rate exposure on this difference. These two derivatives are being accounted for as non-hedging derivative instruments.

Note E. Financial Instruments (continued)

As of July 31, 2002, NFC has several outstanding derivative instruments that were entered into prior to fiscal 2002. One interest rate swap is classified as a cash flow hedge derivative instrument and has a notional amount of $32 million. The fair value of this derivative instrument as of July 31, 2002, is $(2) million and is recorded in other liabilities in the Statement of Financial Condition. The impact on other comprehensive income for the period then ended was not material. NFC has two interest rate swap agreements that are classified as non-hedging derivative instruments with notional amounts of $20 million and $17 million. The fair values of these swaps at July 31, 2002, are immaterial. NFC has three interest rate caps that are classified as non-hedging derivative instruments with notional amounts of $58 million, $500 million and $500 million. The fair values of these caps as of July 31, 2002, are zero, $5 million and $(5) million, respectively. The fair values of these derivative instruments as of July 31, 2002, are recorded in other liabilities in the Statement of Financial Condition. The changes in fair value for the period are recorded in finance and insurance revenue and are not material.

The company has other derivatives classified as non-hedging, which are further described in Note 12 of the 2001 Annual Report on Form 10-K.

As of July 31, 2002, the company held other derivative contracts with aggregate notional amounts of $26 million. The fair values of these derivative instruments at July 31, 2002, are immaterial, and the changes in fair values are recorded in the Statement of Income. Additionally, the company held cash flow derivative instruments with aggregate notional amounts of $52 million. The fair values of these derivative instruments at July 31, 2002, are $2 million, and the changes in fair values are immaterial and are recorded in other comprehensive income.

Navistar International Corporation and Consolidated Subsidiaries
Notes to Financial Statements (Unaudited)

Note F. Earnings Per Share

Earnings (loss) per share was computed as follows:

Millions of dollars, Except share and per share data	Three Months Ended July 31		Nine Months Ended July 31	
	2002	2001	**2002**	2001
Net income (loss)	**$ (16)**	$ 2	**$ (76)**	$ (30)
Average shares outstanding (millions)				
Basic	**60.6**	59.5	**60.2**	59.5
Dilutive effect of options outstanding and other dilutive securities	**-**	0.7	**-**	-
Diluted	**60.6**	60.2	**60.2**	59.5
Earnings (loss) per share				
Basic	**$ (0.27)**	$ 0.03	**$ (1.27)**	$ (0.51)
Diluted	**$ (0.27)**	$ 0.03	**$ (1.27)**	$ (0.51)

The computation of diluted shares outstanding for the nine months ended July 31, 2002 and 2001, excludes incremental shares of 0.9 million and 0.5 million, respectively, related to employee stock options and other dilutive securities. These shares are excluded due to their anti-dilutive effect as a result of the company's loss for the first nine months of 2002 and 2001.

Note G. Comprehensive Income

The components of comprehensive income (loss) are as follows:

Millions of dollars	Three Months Ended July 31		Nine Months Ended July 31	
	2002	2001	**2002**	2001
Net income (loss)	**$ (16)**	$ 2	**$ (76)**	$ (30)
Other comprehensive loss	**(28)**	(1)	**(22)**	(3)
Total comprehensive income (loss)	**$ (44)**	$ 1	**$ (98)**	$ (33)

Included in other comprehensive loss for the three months and nine months ended July 31, 2002, are foreign currency translation losses of $28 million and $22 million, respectively.

Also included in other comprehensive loss for the three months and nine months ended July 31, 2002, is an immaterial charge and a $2 million, respectively, for derivatives that have been designated as cash flow type hedges in accordance with SFAS 133, as further described in Note E.

Navistar International Corporation and Consolidated Subsidiaries
Notes to Financial Statements (Unaudited)

Note H. Segment Data

Reportable operating segment data is as follows:

Millions of dollars	**Truck**	**Engine**	**Financial Services**	**Total**
	For the quarter ended July 31, 2002			
External revenues	**$ 1,109**	**$ 418**	**$ 63**	**$ 1,590**
Intersegment revenues	**-**	**115**	**8**	**123**
Total revenues	**$ 1,109**	**$ 533**	**$ 71**	**$ 1,713**
Segment profit (loss)	**$ (64)**	**$ 60**	**$ 14**	**$ 10**
	For the nine months ended July 31, 2002			
External revenues	**$ 3,208**	**$ 1,310**	**$ 217**	**$ 4,735**
Intersegment revenues	**-**	**331**	**26**	**357**
Total revenues	**$ 3,208**	**$ 1,641**	**$ 243**	**$ 5,092**
Segment profit (loss)	**$ (223)**	**$ 163**	**$ 68**	**$ 8**
	As of July 31, 2002			
Segment assets	**$ 1,914**	**$ 991**	**$ 2,266**	**$ 5,171**
	For the quarter ended July 31, 2001			
External revenues	$ 1,094	$ 422	$ 76	$ 1,592
Intersegment revenues	-	124	14	138
Total revenues	$ 1,094	$ 546	$ 90	$ 1,730
Segment profit (loss)	$ (54)	$ 64	$ 19	$ 29
	For the nine months ended July 31, 2001			
External revenues	$ 3,355	$ 1,303	$ 244	$ 4,902
Intersegment revenues	-	393	46	439
Total revenues	$ 3,355	$ 1,696	$ 290	$ 5,341
Segment profit (loss)	$ (193)	$ 173	$ 68	$ 48
	As of July 31, 2001			
Segment assets	$ 1,885	$ 1,261	$ 2,392	$ 5,538

Navistar International Corporation and Consolidated Subsidiaries
Notes to Financial Statements (Unaudited)

Note H. Segment Data (continued)

Reconciliation to the consolidated financial statements as of and for the three months and nine months ended July 31 is as follows:

Millions of dollars	Three Months Ended July 31 2002	Three Months Ended July 31 2001	Nine Months Ended July 31 2002	Nine Months Ended July 31 2001
Segment sales and revenues	**$ 1,713**	$ 1,730	**$ 5,092**	$ 5,341
Other income	**4**	5	**9**	15
Intercompany	**(123)**	(138)	**(357)**	(439)
Consolidated sales and revenues	**$ 1,594**	$ 1,597	**$ 4,744**	$ 4,917
Segment profit	**$ 10**	$ 29	**$ 8**	$ 48
Restructuring adjustment	**-**	-	**1**	-
Corporate items	**(35)**	(30)	**(105)**	(101)
Manufacturing net interest expense	**(14)**	(6)	**(40)**	(5)
Consolidated pretax loss	**$ (39)**	$ (7)	**$ (136)**	$ (58)

	As of July 31 2002	As of July 31 2001
Segment assets	**$ 5,171**	$ 5,538
Cash and marketable securities	**362**	247
Deferred taxes	**1,005**	885
Corporate intangible pension assets	**76**	25
Other corporate and eliminations	**(56)**	(6)
Consolidated assets	**$ 6,558**	$ 6,689

Note I. Restructuring Charge

In October 2000, the company incurred charges for restructuring, asset write-downs, loss on anticipated sale of business and other exit costs totaling $306 million as part of an overall plan to restructure its manufacturing and corporate operations (“Plan of Restructuring”). The following are the major restructuring, integration and cost reduction initiatives included in the Plan of Restructuring:

- Replacement of current steel cab trucks with a new line of high performance next generation vehicles (NGV) and a concurrent realignment of the company’s truck manufacturing facilities
- Closure of certain operations and exit of certain activities
- Launch of the next generation technology diesel engines
- Consolidation of corporate operations
- Realignment of the bus and truck dealership network and termination of various dealership contracts

Of the total pretax restructuring charge of $306 million, $150 million represented non-cash charges. Through July 31, 2002, approximately $221 million of the charge has been incurred, and $12 million of curtailment loss related to the company’s postretirement benefit plans has been reclassified as a non-current postretirement liability. The remaining restructuring liability of $73 million is expected to be funded from existing cash balances and internally generated cash flows from operations.

Navistar International Corporation and Consolidated Subsidiaries
Notes to Financial Statements (Unaudited)

Note I. Restructuring Charge (continued)

The specific actions included in the Plan of Restructuring were substantially complete by November 2001. Components of the remaining restructuring charge are as follows:

(Millions of dollars)	Balance October 31, 2001	Amount Incurred	Balance July 31, 2002
Severance and other benefits	$ 32	$ (10)	$ 22
Lease terminations	35	(3)	32
Loss on sale of business	2	(2)	-
Dealer termination and exit costs	21	(2)	19
Total	$ 90	$ (17)	$ 73

The Plan of Restructuring included the reduction of approximately 2,100 employees from the workforce, primarily in North America, which was revised to 1,900 employees at October 31, 2001. During the quarter, $3 million was paid for severance and other benefits. As of July 31, 2002, approximately $41 million of the total net charge of $75 million has been paid for severance and other benefits for the reduction of approximately 1,900 employees, and $12 million of curtailment loss has been reclassified as a non-current postretirement liability. The severance and other benefits balance represents costs related to future payments over the next two years for headcount reductions already incurred.

Lease termination costs include future obligations under long-term non-cancelable lease agreements at facilities being vacated following workforce reductions. This charge primarily consists of the estimated lease costs, net of probable sublease income, associated with the cancellation of the company's corporate office lease at NBC Tower in Chicago, Illinois, which expires in 2010. As of July 31, 2002, $6 million of the total net charge of $38 million has been incurred for lease termination costs, of which $2 million was incurred during the quarter.

The Plan of Restructuring included the effect of the sale of Harco National Insurance Company (Harco). On November 30, 2001, NFC completed the sale of Harco to IAT Reinsurance Syndicate Ltd., a Bermuda reinsurance company. The remaining payments related to exit costs of approximately $2 million were incurred in the second quarter of 2002.

Dealer termination and exit costs include the termination of certain dealer contracts in connection with the realignment of the company's bus distribution network, and other litigation costs to implement the restructuring initiatives. As of July 31, 2002, approximately $19 million of the total net charge of $38 million has been paid for dealer terminations and exit costs, of which $1 million was incurred during the quarter.

Navistar International Corporation and Consolidated Subsidiaries
Notes to Financial Statements (Unaudited)

Note J. Sale of Receivables

NFC's primary business is to provide wholesale, retail and lease financing for new and used trucks sold by International and International's dealers, and as a result, NFC's finance receivables and leases have significant concentration in the trucking industry. NFC retains as collateral a security interest in the equipment associated with wholesale notes, retail notes and leases.

NFC securitizes and sells finance receivables through Navistar Financial Retail Receivables Corporation (NFRRC), Navistar Financial Securities Corporation (NFSC), Truck Retail Accounts Corporation (TRAC) and Truck Engine Receivables Financing Corporation (TERFCO), all special purpose entities and wholly owned subsidiaries of NFC. The sales of finance receivables in each of the securitizations constitute sales under accounting principles generally accepted in the United States of America, with the result that the sold finance receivables are removed from NFC's balance sheet and the investor's interests in the related trust or conduit are not reflected as liabilities. However, the special purpose entity's residual interests in the related trusts or assets held by the conduit are reflected in the Statement of Financial Condition as assets. NFRRC, NFSC, TRAC and TERFCO have limited recourse on the sold finance receivables. The terms of receivable sales generally require NFC to maintain cash reserves with the trusts and conduits as credit enhancement. These cash reserves are restricted under the terms of the securitized sales agreements. The maximum exposure under all receivable sale recourse provisions at July 31, 2002, was $472 million. Management believes the recorded reserves for losses are adequate.

At July 31, 2002, NFC has a $500 million revolving retail warehouse facility due in October 2005. In October 2000, Truck Retail Instalment Paper Corporation, a special purpose entity and wholly owned subsidiary of NFC, issued $475 million of senior class AAA rated and $25 million of subordinated class A rated floating rate asset-backed notes. The proceeds were used to establish a revolving retail warehouse facility to fund NFC's retail notes and retail leases, other than fair market value leases. The outstanding balance of this facility is included in debt on the Statement of Financial Condition.

NFC continues to service the sold finance receivables, for which a servicing fee is received. Servicing fees are earned on a level yield basis over the terms of the related finance receivables. Servicing fees are typically set at 1.0% of average outstanding net finance receivable balances, representing NFC's estimated costs to service the finance receivables.

Gains or losses on sales of finance receivables are estimated based upon the present value of future expected cash flows using assumptions for prepayment speeds and current market interest rates. These assumptions use management's best estimates commensurate with the risks involved. An allowance for credit losses is provided prior to the receivables sale and is reclassified as part of retained interest upon sale.

Finance receivable balances do not include finance receivables sold by NFC to public and private investors with limited recourse provisions. Outstanding sold finance receivable balances are as follows, in millions:

	July 31 2002	October 31 2001	July 31 2001
Retail notes, net of unearned finance income	**$ 1,805**	$ 1,863	$ 2,223
Wholesale notes	**680**	797	671
Retail accounts	**164**	191	140
Total	**$ 2,649**	$ 2,851	$ 3,034

Note J. Sale of Receivables (continued)

Additional financial data for gross serviced finance receivables as of July 31, 2002, and for the nine months then ended is as follows, in millions:

	Retail Notes	Leases	Wholesale Notes	Accounts
Gross serviced finance receivables.........	$ 2,574	$ 473	$ 715	$ 278
Gross serviced finance receivables with installments past due	17	5	6	19
Credit losses net of recoveries	15	1	-	-

During the nine months ended July 31, 2002, NFC sold $1,000 million of retail notes, net of unearned finance income, through NFRRC in two separate sales. NFC sold the retail notes to owner trusts, which, in turn, issued $1,000 million of asset-backed securities that were sold to investors. Aggregate net gains of $25 million were recognized on these sales. These aggregate gains are net of $3 million of losses on forward rate contracts. NFC uses forward rate contracts to limit its exposure to interest rate fluctuations on newly acquired retail notes prior to their inclusion in a securitization. During July 2002, NFC entered into five forward rate contracts for an aggregate notional amount of $300 million in anticipation of its retail notes and leases sale planned for October. As of July 31, 2002, outstanding forward contracts had a net fair value of $(2) million. These forward rate contracts are accounted for as non-hedging instruments, and the change in fair value is a $2 million loss and is recorded as an offset to finance and insurance revenue.

At July 31, 2002, NFSC has in place a revolving wholesale note trust that provides for the funding of $837 million of eligible wholesale notes. TERFCO has in place a revolving trust that provides for the funding of $100 million of eligible Ford Motor Company accounts receivable. TRAC has in place a revolving retail account conduit that provides for the funding of $100 million of eligible retail accounts.

When finance receivables are sold, NFC retains an interest in the securitized receivables in the form of interest-only strips, servicing rights, cash reserve accounts and subordinated certificates. The carrying amount of these retained interests approximate fair value and were $456 million, $324 million and $417 million at July 31, 2002, October 31, 2001 and July 31, 2001, respectively. These amounts are included in finance and other receivables in the Statement of Financial Condition.

Key economic assumptions used in measuring the gains and the related retained interest at July 31, 2002, were a prepayment speed of 1.9%, a weighted average remaining life of 30 months and a residual cash flows discount rate of 4.90% to 6.12%.

The following table summarizes certain cash flows received from (paid to) securitization trusts/conduits during the nine months ended July 31, 2002, in millions:

Proceeds from initial sales of retail receivables..	$ 999
Proceeds from subsequent sales of receivables into revolving facilities................................	3,385
Servicing fees received...	18
All other cash received from trusts..	179
Purchase of delinquent or foreclosed receivables	(35)
Cash used to repurchase receivables..	(165)

Navistar International Corporation and Consolidated Subsidiaries
Notes to Financial Statements (Unaudited)

Note K. New Accounting Pronouncements

In June 2001, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 142 (SFAS 142), “Goodwill and Other Intangible Assets” and Statement of Financial Accounting Standards No. 143 (SFAS 143), “Accounting for Asset Retirement Obligations.” SFAS 142 was adopted by the company on November 1, 2001, and did not have a material impact on the company’s financial position, results of operations or cash flows. SFAS 143 is effective for financial statements issued for fiscal years beginning after June 15, 2002. The company is evaluating the impact of SFAS 143 on its financial position, results of operations and cash flows.

In August 2001, the FASB issued Statement of Financial Accounting Standards No. 144 (SFAS 144), “Accounting for the Impairment or Disposal of Long-Lived Assets,” which is effective for fiscal years beginning after December 15, 2001, and interim periods within those fiscal years. The company will adopt SFAS 144 on November 1, 2002, and does not expect it to have a material impact on the company’s financial position, results of operations and cash flows.

In June 2002, the FASB issued Statement of Financial Accounting Standards No. 146, “Accounting for Costs Associated with Exit or Disposal Activities,” which is to be applied prospectively to exit or disposal activities initiated after December 31, 2002.

Note L. Condensed Consolidating Guarantor and Non-Guarantor Financial Information

The following tables set forth the condensed consolidating Statements of Financial Condition as of July 31, 2002 and 2001, and the Statements of Income and Cash Flow for the nine months ended July 31, 2002 and 2001. The following information is included as a result of the guarantee of the $400 million Senior Notes by International, exclusive of its subsidiaries. International is a direct wholly owned subsidiary of NIC. International, exclusive of its subsidiaries, also guarantees NIC’s obligations under its 7% senior notes due 2003 and 8% senior subordinated notes due 2008. None of NIC’s other subsidiaries guarantee any of these notes. Each of the guarantees is full and unconditional. Separate financial statements and other disclosures concerning International have not been presented because management believes that such information is not material to investors. NIC includes the consolidated financial results of the parent company only, with all of its wholly owned subsidiaries accounted for under the equity method. International, for purposes of this disclosure only, includes the consolidated financial results of its wholly owned subsidiaries accounted for under the equity method. “Non-Guarantor Companies and Eliminations” includes the consolidated financial results of all other non-guarantor subsidiaries including the elimination entries for all intercompany transactions. All applicable corporate expenses have been allocated appropriately among the guarantor and non-guarantor subsidiaries.

NIC files a consolidated U.S. federal income tax return which includes International and its U.S. subsidiaries. International has a tax allocation agreement (Tax Agreement) with NIC which requires International to compute its separate federal income tax expense based on its adjusted book income. Any resulting tax liability is paid to NIC. In addition, under the Tax Agreement, International is required to pay to NIC any tax payments received from its subsidiaries. The effect of the Tax Agreement is to allow NIC, rather than International, to utilize U.S. operating income/losses and NIC operating loss carryforwards.

Navistar International Corporation and Consolidated Subsidiaries
Notes to Financial Statements (Unaudited)

Note L. Condensed Consolidating Guarantor and Non-Guarantor Financial Information (continued)

	NIC	International	Non-Guarantor Companies and Eliminations	Consolidated
CONDENSED CONSOLIDATING STATEMENT OF INCOME FOR THE NINE MONTHS ENDED JULY 31, 2002				
Sales and revenues	$ 5	$ 4,081	$ 658	$ 4,744
Cost of products and services sold	-	3,728	273	4,001
Restructuring adjustment	-	-	(1)	(1)
All other operating expenses	(45)	735	190	880
Total costs and expenses	(45)	4,463	462	4,880
Equity in income (loss) of non-consolidated subsidiaries	(186)	130	56	-
Income (loss) before income taxes	(136)	(252)	252	(136)
Income tax expense (benefit)	(60)	7	(7)	(60)
Net income (loss)	$ (76)	$ (259)	$ 259	$ (76)
CONDENSED CONSOLIDATING STATEMENT OF FINANCIAL CONDITION AS OF JULY 31, 2002				
ASSETS				
Cash and marketable securities	$ 328	$ 7	$ 478	$ 813
Receivables, net	6	109	1,758	1,873
Inventories	-	373	341	714
Property and equipment, net	-	760	754	1,514
Investment in affiliates	(1,292)	999	293	-
Deferred tax asset and other assets	999	304	341	1,644
Total assets	41	2,552	3,965	6,558
LIABILITIES AND SHAREOWNERS' EQUITY				
Debt	821	21	1,763	2,605
Postretirement benefits liability	-	1,019	103	1,122
Amounts due (from) to affiliates	(1,928)	1,818	110	-
Other liabilities	100	1,237	446	1,783
Total liabilities	(1,007)	4,095	2,422	5,510
Shareowners' equity (deficit)	1,048	(1,543)	1,543	1,048
Total liabilities and shareowners' equity	$ 41	$ 2,552	$ 3,965	$ 6,558
CONDENSED CONSOLIDATING STATEMENT OF CASH FLOW FOR THE NINE MONTHS ENDED JULY 31, 2002				
Cash provided by (used in) operations	$ (304)	$ (42)	$ 279	$ (67)
Cash flow from investment programs				
Purchases, net of collections, of finance receivables	-	-	12	12
Net (increase) decrease in marketable securities	40	-	(42)	(2)
Capital expenditures	-	(129)	(28)	(157)
Other investing activities	(139)	172	166	199
Cash provided by (used in) investment programs	(99)	43	108	52
Cash flow from financing activities				
Net repayments of debt	-	-	(271)	(271)
Other financing activities	73	-	(62)	11
Cash provided by (used in) financing activities	73	-	(333)	(260)
Cash and cash equivalents				
Increase (decrease) during the period	(330)	1	54	(275)
At beginning of the period	658	6	158	822
Cash and cash equivalents at end of period	$ 328	$ 7	$ 212	$ 547

Navistar International Corporation and Consolidated Subsidiaries
Notes to Financial Statements (Unaudited)

Note L. Condensed Consolidating Guarantor and Non-Guarantor Financial Information (continued)

CONDENSED CONSOLIDATING STATEMENT OF INCOME FOR THE NINE MONTHS ENDED JULY 31, 2001

	NIC	International	Non-Guarantor Companies and Eliminations	Consolidated
Sales and revenues	$ 9	$ 3,898	$ 1,010	$ 4,917
Cost of products and services sold	-	3,509	589	4,098
All other operating expenses	(54)	719	212	877
Total costs and expenses	(54)	4,228	801	4,975
Equity in income (loss) of non-consolidated subsidiaries	(121)	154	(33)	-
Income (loss) before income taxes	(58)	(176)	176	(58)
Income tax expense (benefit)	(28)	3	(3)	(28)
Net income (loss)	$ (30)	$ (179)	$ 179	$ (30)

CONDENSED CONSOLIDATING STATEMENT OF FINANCIAL CONDITION AS OF JULY 31, 2001

	NIC	International	Non-Guarantor Companies and Eliminations	Consolidated
ASSETS				
Cash and marketable securities	$ 228	$ 5	$ 617	$ 850
Receivables, net	7	23	1,728	1,758
Inventories	-	371	288	659
Property and equipment, net	-	1,088	797	1,885
Investment in affiliates	(878)	931	(53)	-
Deferred tax asset and other assets	873	274	390	1,537
Total assets	230	2,692	3,767	6,689
LIABILITIES AND SHAREOWNERS' EQUITY				
Debt	821	22	1,881	2,724
Postretirement benefits liability	-	761	95	856
Amounts due (from) to affiliates	(1,944)	1,503	441	-
Other liabilities	74	1,333	423	1,830
Total liabilities	(1,049)	3,619	2,840	5,410
Shareowners' equity (deficit)	1,279	(927)	927	1,279
Total liabilities and shareowners' equity	$ 230	$ 2,692	$ 3,767	$ 6,689

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOW FOR THE NINE MONTHS ENDED JULY 31, 2001

	NIC	International	Non-Guarantor Companies and Eliminations	Consolidated
Cash provided by (used in) operations	$ (278)	$ 56	$ 289	$ 67
Cash flow from investment programs				
Purchases, net of collections, of finance receivables	-	-	535	535
Net (increase) decrease in marketable securities	39	-	(318)	(279)
Capital expenditures	-	(169)	(44)	(213)
Other investing activities	(18)	79	(121)	(60)
Cash provided by (used in) investment programs	21	(90)	52	(17)
Cash flow from financing activities				
Net borrowings (repayments) of debt	386	16	(348)	54
Other financing activities	(9)	-	-	(9)
Cash provided by (used in) financing activities	377	16	(348)	45
Cash and cash equivalents				
Increase (decrease) during the period	120	(18)	(7)	95
At beginning of the period	64	23	210	297
Cash and cash equivalents at end of period	$ 184	$ 5	$ 203	$ 392

Navistar International Corporation and Consolidated Subsidiaries

Additional Financial Information

The following additional financial information is provided based upon the continuing interest of certain shareholders and creditors.

Navistar International Corporation (with financial services operations on an equity basis) in millions of dollars:

Condensed Statement of Income	Three Months Ended July 31 2002	Three Months Ended July 31 2001	Nine Months Ended July 31 2002	Nine Months Ended July 31 2001
Sales of manufactured products	**$ 1,527**	$ 1,516	**$ 4,518**	$ 4,658
Other income	**3**	7	**8**	16
Total sales and revenues	**1,530**	1,523	**4,526**	4,674
Cost of products sold	**1,340**	1,301	**3,953**	4,046
Postretirement benefits expense	**58**	43	**173**	136
Engineering and research expense	**61**	58	**190**	188
Sales, general and administrative expense	**98**	116	**324**	333
Other expense	**27**	32	**92**	97
Total costs and expenses	**1,584**	1,550	**4,732**	4,800
Income (loss) before income taxes				
Manufacturing operations	**(54)**	(27)	**(206)**	(126)
Financial services operations	**15**	20	**70**	68
Income (loss) before income taxes	**(39)**	(7)	**(136)**	(58)
Income tax expense (benefit)	**(23)**	(9)	**(60)**	(28)
Net income (loss)	**$ (16)**	$ 2	**$ (76)**	$ (30)

Condensed Statement of Financial Condition	July 31 2002	October 31 2001	July 31 2001
Cash, cash equivalents and marketable securities	**$ 454**	$ 806	$ 370
Inventories	**675**	569	576
Property and equipment, net	**1,227**	1,359	1,570
Equity in non-consolidated subsidiaries	**445**	398	371
Other assets	**980**	895	1,036
Deferred tax asset, net	**1,003**	979	878
Total assets	**$ 4,784**	$ 5,006	$ 4,801
Accounts payable, principally trade	**$ 880**	$ 1,051	$ 844
Postretirement benefits liability	**1,109**	1,069	846
Debt	**921**	966	971
Other liabilities	**826**	793	861
Shareowners' equity	**1,048**	1,127	1,279
Total liabilities and shareowners' equity	**$ 4,784**	$ 5,006	$ 4,801

Navistar International Corporation and Consolidated Subsidiaries

Additional Financial Information

Navistar International Corporation (with financial services operations on an equity basis)
in millions of dollars:

Condensed Statement of Cash Flow	**Nine Months Ended July 31**	
	2002	2001
Cash flow from operations		
Net loss	**$ (76)**	$ (30)
Adjustments to reconcile net loss to cash used in operations:		
Depreciation and amortization	**121**	115
Deferred income taxes	**(22)**	(17)
Postretirement benefits funding less than expense	**38**	69
Equity in earnings of investees, net of dividends received	**(41)**	-
Other, net	**(88)**	(3)
Change in operating assets and liabilities, net of effects of acquisition	**(261)**	(339)
Cash used in operations	**(329)**	(205)
Cash flow from investment programs		
Purchases of marketable securities	**(29)**	(64)
Sales or maturities of marketable securities	**69**	103
Capital expenditures	**(154)**	(212)
Payments for acquisition, net of cash acquired	**-**	(60)
Proceeds from sale-leasebacks	**164**	58
Receivable from financial services operations	**(52)**	169
Investment in affiliates	**2**	2
Capitalized interest and other	**(5)**	(22)
Cash used in investment programs	**(5)**	(26)
Cash provided by financing activities	**22**	344
Cash and cash equivalents		
Increase (decrease) during the period	**(312)**	113
At beginning of the period	**766**	213
Cash and cash equivalents at end of the period	**$ 454**	$ 326

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

RESULTS OF OPERATIONS

Certain statements under this caption that are not purely historical constitute "forward-looking statements" under the Private Securities Litigation Reform Act of 1995 and involve risks and uncertainties. These forward-looking statements are based on current management expectations as of the date made. The company assumes no obligation to update any forward-looking statements. The company's actual results may differ significantly from the results discussed in such forward-looking statements. Factors that might cause such a difference include, but are not limited to, those discussed under the caption "Business Environment."

Third Quarter Ended July 31, 2002

The company reported a net loss of $16 million, or a loss of $0.27 per diluted common share for the third quarter ended July 31, 2002. For the comparable quarter last year, net income was $2 million or $0.03 per diluted common share. The net loss for the third quarter of 2002 benefited from $8 million of research and development tax credits. Net income for the third quarter of 2001 included the benefit of a $6 million research and development tax credit.

The truck segment's loss for the third quarter of 2002 increased by $10 million and revenues increased $15 million compared to the same period last year. The truck segment's increased revenue was primarily the result of higher demand in the Class 8 heavy truck and school bus markets versus the same period in 2001 partially offset by the continued weakness in the medium truck market. The truck segment's loss for the third quarter of 2002 was negatively impacted by some unusual and nonrecurring items such as the inability of a major supplier to supply pre-emission engines, product recall expenses, the weaker than expected Brazilian exchange rate and costs associated with the six week strike at the company's Chatham, Ontario plant.

The engine segment's profit for the third quarter of 2002 decreased by $4 million, while revenues decreased $13 million. The decreases in the engine segment's profits and revenues are primarily the result of lower shipments driven by the continued weakness in the medium truck market.

The financial services segment's profit for the third quarter of 2002 was $14 million, which was $5 million lower than the same period last year while revenues decreased $19 million. The change in the financial services segment's profit is primarily the result of lower wholesale note revenue due to lower dealer inventory levels. The change in the financial services segment's revenue is primarily due to changes in finance and insurance revenue discussed below.

Sales and Revenues. Sales and revenues for the third quarter of 2002 totaled $1,594 million, comparable to the $1,597 million reported for the same period in 2001.

United States (U.S.) and Canadian industry retail sales of Class 5 through 8 trucks totaled 79,700 units in the third quarter of 2002, slightly lower than the 80,400 units sold during this period in 2001. Class 8 heavy truck sales of 46,100 units during the third quarter of 2002 were 8% higher than the 2001 level of 42,600 units. Industry sales of Class 5, 6 and 7 medium trucks, including school buses, decreased 11% to 33,600 units. Industry sales of school buses, which accounted for 20% of the medium truck market, increased 4% to 6,800 units.

Market share for the third quarter of 2002 decreased to 24.3% from 26.5% reported in the same period of 2001. This decrease is mainly due to the weak medium truck industry along with lower order receipts in the Class 6-7 medium truck market.

Shipments of mid-range diesel engines by the company to other original equipment manufacturers (OEMs) during the third quarter of 2002 totaled 73,400 units, an 8% decrease from the same period of 2001.

Finance and insurance revenue of $61 million in the third quarter of 2002 decreased 13% from 2001. This decrease is primarily a result of lower average serviced wholesale note and account balances.

Other income of $6 million in the third quarter of 2002 decreased from $11 million in the same period in 2001. This decrease is primarily a result of lower marketable securities revenue driven by lower average interest rates.

Costs and Expenses. Manufacturing gross margin declined to 12.2% of sales for the third quarter of 2002 compared to 14.2% for the third quarter of 2001. This decrease is primarily due to the unusual and nonrecurring charges described above.

Postretirement benefits expense increased $14 million from the third quarter of 2001 to $58 million. This increase is primarily due to higher interest expense resulting from higher pension and health care obligations, higher amortization of unrecognized losses, and lower returns on assets.

Engineering and research expense increased $3 million from the third quarter of 2001 to $61 million. This increase primarily reflects an increase in spending on development programs and new plant initiatives offset by a reduction in the amount of spending on the company's Next Generation Vehicle (NGV) and Next Generation Diesel (NGD) programs.

Sales, general and administrative (SG&A) expense decreased 14% to $116 million in the third quarter of 2002 from $135 million for the comparable quarter in 2001. This decrease is due to a decrease in the provision for losses on receivables and the result of increased focus on reducing SG&A expenses.

Interest expense decreased 7% from the third quarter of 2001 to $39 million, primarily due to the company's lower weighted average interest rates on debt.

Other expense decreased to $2 million in the third quarter of 2002 from $7 million in the same period of 2001. This decrease is primarily due to lower financing charges on sold receivables.

Nine Months Ended July 31, 2002

The company reported a net loss of $76 million, or a $1.27 loss per diluted common share for the first nine months of 2002, primarily due to continued weak demand for new trucks. In addition, results were impacted by a number of unusual and nonrecurring items including the inability of a major supplier to supply pre-emission engines, product recall expenses, the weaker than expected Brazilian exchange rate, and costs associated with the six week strike at the company's Chatham, Ontario heavy truck assembly plant. The net loss for the same period in 2001 totaled $30 million, or a $0.51 loss per diluted common share. The net losses for the first nine months of 2002 and 2001 included the benefits of the previously mentioned tax related items of $8 million and $6 million, respectively.

During the first nine months of 2002, both the truck and engine segments' profits and revenues decreased compared to the same period in 2001. These decreases are mainly driven by the continued softness in the medium and heavy truck and school bus markets.

The financial services segment's profit for the first nine months of 2002 remained consistent with 2001, while revenues decreased 16%. The change in the financial services segment's revenue is primarily due to changes in finance and insurance revenue discussed below.

Sales and Revenues. Sales and revenues for the first nine months of 2002 totaled $4,744 million, 4% lower than the $4,917 million reported for the comparable period of 2001.

U.S. and Canadian industry retail sales of Class 5 through 8 trucks totaled 208,000 units for the first nine months of 2002, which is 14% lower than the 240,600 units sold during this period in 2001. Class 8 heavy truck sales of 115,000 units during the first nine months of 2002 were 9% lower than the 2001 level of 126,500 units. Industry sales of Class 5, 6 and 7 medium trucks, including school buses, decreased 18% to 93,000 units. Industry sales of school buses, which accounted for 21% of the medium truck market, decreased 6% to 19,900 units.

Market share for the first nine months of 2002 slightly increased to 25.9% from the 25.8% reported in 2001.

Shipments of mid-range diesel engines by the company to other OEMs during the first nine months of 2002 totaled 230,200 units, a 4% decrease from the same period of 2001.

Finance and insurance revenue of $210 million during the first nine months of 2002 decreased 6% from 2001. This decrease is primarily a result of lower average serviced wholesale note and account balances.

Other income decreased to $16 million for the first nine months of 2002 from $35 million reported for the same period in 2001. This decrease is primarily the result of lower marketable securities revenue driven by lower average interest rates.

Costs and Expenses. Manufacturing gross margin for the first nine months of 2002 was 12.5% compared with 13.1% in 2001. This decrease is primarily due to the impact of unusual and nonrecurring charges in the third quarter.

Postretirement benefits expense increased $37 million from the first nine months of 2001 to $174 million. This increase is primarily due to higher interest expense resulting from higher pension and health care obligations, higher amortization of unrecognized losses, and lower returns on assets.

SG&A expense decreased 4% to $379 million for the nine months ended July 31, 2002 from $393 million for the comparable period in 2001. This decrease is primarily due to a decrease in the provision for losses on receivables and the result of increased focus on reducing SG&A expenses.

Interest expense decreased $8 million for the first nine months of 2002 to $117 million, primarily due to the company's lower weighted average interest rates on debt.

Other expense decreased to $20 million for the first nine months of 2002 from $34 million in the same period in 2001. This decrease is primarily due to lower financing charges on sold receivables.

Restructuring Charge

In October 2000, the company incurred charges for restructuring, asset write-downs, loss on anticipated sale of business and other exit costs totaling $306 million as part of an overall plan to restructure its manufacturing and corporate operations ("Plan of Restructuring"). The following are the major restructuring, integration and cost reduction initiatives included in the Plan of Restructuring:

- Replacement of current steel cab trucks with a new line of high performance next generation vehicles (NGV) and a concurrent realignment of the company's truck manufacturing facilities
- Closure of certain operations and exit of certain activities
- Launch of the next generation technology diesel engines
- Consolidation of corporate operations
- Realignment of the bus and truck dealership network and termination of various dealership contracts

Of the total pretax restructuring charge of $306 million, $150 million represented non-cash charges. Through July 31, 2002, approximately $221 million of the charge has been incurred, and $12 million of curtailment loss related to the company's postretirement benefit plans has been reclassified as a non-current postretirement liability. The remaining restructuring liability of $73 million is expected to be funded from existing cash balances and internally generated cash flows from operations.

The specific actions included in the Plan of Restructuring were substantially complete by November 2001. Components of the remaining restructuring charge are as follows:

(Millions of dollars)	Balance October 31, 2001	Amount Incurred	Balance July 31, 2002
Severance and other benefits	$ 32	$ (10)	$ 22
Lease terminations	35	(3)	32
Loss on sale of business	2	(2)	-
Dealer termination and exit costs	21	(2)	19
Total	$ 90	$ (17)	$ 73

The Plan of Restructuring included the reduction of approximately 2,100 employees from the workforce, primarily in North America, which was revised to 1,900 employees at October 31, 2001. During the quarter, $3 million was paid for severance and other benefits. As of July 31, 2002, approximately $41 million of the total net charge of $75 million has been paid for severance and other benefits for the reduction of approximately 1,900 employees, and $12 million of curtailment loss has been reclassified as a non-current postretirement liability. The severance and other benefits balance represents costs related to future payments over the next two years for headcount reductions already incurred.

Lease termination costs include future obligations under long-term non-cancelable lease agreements at facilities being vacated following workforce reductions. This charge primarily consists of the estimated lease costs, net of probable sublease income, associated with the cancellation of the company's corporate office lease at NBC Tower in Chicago, Illinois, which expires in 2010. As of July 31, 2002, $6 million of the total net charge of $38 million has been incurred for lease termination costs, of which $2 million was incurred during the quarter.

The Plan of Restructuring included the effect of the sale of Harco National Insurance Company (Harco). On November 30, 2001, Navistar Financial Corporation (NFC) completed the sale of Harco to IAT Reinsurance Syndicate Ltd., a Bermuda reinsurance company. The remaining payments related to exit costs of approximately $2 million were incurred in the second quarter of 2002.

Dealer termination and exit costs include the termination of certain dealer contracts in connection with the realignment of the company's bus distribution network, and other litigation costs to implement the restructuring initiatives. As of July 31, 2002, approximately $19 million of the total net charge of $38 million has been paid for dealer terminations and exit costs, of which $1 million was incurred during the quarter.

Liquidity and Capital Resources

Cash flow is generated from the manufacture and sale of trucks, mid-range diesel engines and their associated service parts as well as from product financing provided to the company's dealers and retail customers by the financial services segment. The company's current debt ratings have made sales of finance receivables the most economic source of funding for NFC.

The company had working capital of $159 million at July 31, 2002, compared to $463 million at October 31, 2001. Cash used in operations during the first nine months of 2002 totaled $67 million primarily from a net loss of $76 million. Also included was a net change in operating assets and liabilities of $71 million, which was more than offset by $80 million of other items including depreciation and amortization.

The net use of cash resulting from the change in operating assets and liabilities included a $177 million decrease in accounts payable primarily due to lower truck and engine production levels in the first nine months of 2002, as well as from the timing of invoices paid for capital equipment purchased in the fourth quarter of 2001. Also included was a $62 million increase in inventories primarily caused by the decrease in new truck shipments. This change was partially offset by a $205 million decrease in receivables primarily due to a net decrease in wholesale note and account balances.

Cash provided by investment programs resulted from $164 million of proceeds from sale-leasebacks and the sale of Harco on November 30, 2001, that provided $63 million in cash proceeds. These were partially offset by a net increase in property and equipment leased to others of $24 million and $157 million of capital expenditures primarily for the NGV and NGD programs.

In the first nine months of 2002, the company entered into two sale-leaseback arrangements with various financial institutions. Under the first arrangement, which related to the completion of a fiscal 2001 sale leaseback, engine manufacturing equipment with a net book value of $5 million was sold for $5 million and leased back under a 10.5-year operating lease agreement. Under the second arrangement, additional engine manufacturing and assembly equipment with a net book value of $159 million was sold for $159 million and leased back under a 12-year operating lease agreement.

Cash used by financing activities resulted from a net decrease of $323 million in notes and debt outstanding under the bank revolving credit facility and other commercial paper programs. This was partially offset by a net increase in long-term debt of $52 million that includes $220 million of 4.75% subordinated exchangeable notes due 2009, which were issued in March 2002.

NFC has traditionally obtained the funds to provide financing to International's dealers and retail customers from sales of finance receivables, commercial paper, short and long-term bank borrowings, medium and long-term debt and equity capital. As of July 31, 2002, NFC's funding consisted of sold finance receivables of $2,649 million, bank and other borrowings of $868 million, subordinated debt of $171 million, secured borrowings of $337 million and equity of $365 million.

NFC securitizes and sells finance receivables through Navistar Financial Retail Receivables Corporation (NFRRC), Navistar Financial Securities Corporation (NFSC), Truck Retail Accounts Corporation (TRAC) and Truck Engine Receivables Financing Corporation (TERFCO), all special purpose entities and wholly owned subsidiaries of NFC. The sales of finance receivables in each of the securitizations constitute sales under accounting principles generally accepted in the United States of America, with the result that the sold finance receivables are removed from NFC's balance sheet and the investor's interests in the related trust or conduit are not reflected as liabilities. However, the special purpose entity's residual interests in the related trusts or assets held by the conduit are reflected on the Statement of Financial Condition as assets.

Through the asset-backed public market and private placement sales, NFC has been able to fund fixed rate retail note receivables at rates offered to companies with higher investment grade ratings. During the first nine months of 2002, NFC sold $1,000 million of retail notes, net of unearned finance income, through NFRRC in two separate sales. NFC sold the retail notes to owner trusts, which in turn, issued $1,000 million of asset-backed securities that were sold to investors. Aggregate net gains of $25 million were recognized on these sales. As of July 31, 2002, the remaining shelf registration available to

NFRRC for the public issuance of asset-backed securities was $2,500 million. Also, as of July 31, 2002, NFSC has in place a revolving wholesale note trust that provides for the funding of $837 million of eligible wholesale notes, of which $680 million has been utilized.

At July 31, 2002, available funding under NFC's bank revolving credit facilities, the revolving retail warehouse facility and the revolving wholesale note trust was $908 million. When combined with unrestricted cash and cash equivalents, $966 million was available to fund the general business purposes of NFC.

In November 2000, NFC established TERFCO for the purpose of securitizing engine accounts receivable. In November 2000, NFC securitized all of its unsecured trade receivables generated by the sale of diesel engines and engine service parts from the company to Ford Motor Company. The transaction provides for funding of $100 million and matures in 2006. As of July 31, 2002, NFC has utilized $64 million of this facility.

TRAC has in place a revolving retail account conduit that provides for the funding of $100 million of eligible retail accounts. As of July 31, 2002, NFC has utilized $100 million of this facility. The facility was renewed in August 2002. It expires in August 2003 and is renewable upon mutual consent of the parties.

In March 2002, NFC completed the private placement of $220 million 4.75% subordinated exchangeable notes due 2009. The notes will be exchangeable at the option of the holders, prior to redemption or maturity, into common stock of the company. NFC received $170 million (before $6 million of expenses) and the company received $50 million. The proceeds from the notes will be used for general corporate purposes. In May 2002, the company filed a registration statement for the resale of the notes and the shares of common stock issuable upon conversion of the notes.

In August 2002, Standard and Poor's lowered the company's and NFC's senior debt ratings to BB from BB+. They also lowered the company's senior unsecured debt rating to BB from BB+ and the company's subordinated debt rating to B+ from BB-. In March 2002, Fitch IBCA lowered the company's and NFC's senior debt ratings to BB+ from BBB- as well as the company's senior unsecured debt rating to BB+ from BBB-. Fitch IBCA also lowered the company's and NFC's subordinated debt ratings to BB- from BB.

There have been no material changes in the company's hedging strategies or derivative positions since October 31, 2001. Further disclosure may be found in Note E to the financial statements and in the company's 2001 Annual Report on Form 10-K.

Cash flow from the company's manufacturing operations, financial services operations and financing capacity is currently sufficient to cover planned investment in the business. At July 31, 2002, the company had $263 million of outstanding capital commitments through 2006 primarily for the NGV and NGD programs as well as other new engine projects.

It is the opinion of management that, in the absence of significant unanticipated cash demands, current and forecasted cash flow as well as anticipated financing actions will provide sufficient funds to meet operating requirements and capital expenditures. Management believes that collections on the outstanding receivables portfolios as well as funds available from various funding sources will permit the financial services operations to meet the financing requirements of International's dealers and retail customers.

New Accounting Pronouncements

In June 2001, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 142 (SFAS 142), "Goodwill and Other Intangible Assets" and Statement of Financial Accounting Standards No. 143 (SFAS 143), "Accounting for Asset Retirement Obligations." SFAS 142 was adopted by the company on November 1, 2001, and did not have a material impact on the company's financial position, results of operations or cash flows. SFAS 143 is effective for financial statements issued for fiscal years beginning after June 15, 2002. The company is evaluating the impact of SFAS 143 on its financial position, results of operations and cash flows.

In August 2001, the FASB issued Statement of Financial Accounting Standards No. 144 (SFAS 144), "Accounting for the Impairment or Disposal of Long-Lived Assets," which is effective for fiscal years beginning after December 15, 2001, and interim periods within those fiscal years. The company will adopt SFAS 144 on November 1, 2002, and does not expect it to have a material impact on the company's financial position, results of operations and cash flows.

In June 2002, the FASB issued Statement of Financial Accounting Standards No. 146, "Accounting for Costs Associated with Exit or Disposal Activities," which is to be applied prospectively to exit or disposal activities initiated after December 31, 2002.

Business Environment

Sales of Class 5 through 8 trucks historically have been cyclical, with demand affected by such economic factors as industrial production, construction, demand for consumer durable goods, interest rates and the earnings and cash flow of dealers and customers. Truck sales in the third quarter continue to be hindered by a number of factors including the overall state of the economy, rising insurance costs, tightened credit availability and a large decline in sales to leasing companies. The demand for medium trucks and school buses reflected these adverse conditions, however, an improvement in the number of heavy truck orders has increased the company's U.S. and Canadian order backlog at July 31, 2002, to 29,400 units, from the 18,200 units at July 31, 2001. Historically, retail deliveries have been impacted by the rate at which new truck orders are received. Therefore, in order to manage through the current downturn, the company continually evaluates order receipts and backlog throughout the year by balancing production with demand as appropriate. Also, in an effort to reduce fixed costs and improve operating efficiencies, the company announced the layoff of approximately 750-800 workers at its Springfield Assembly Plant and approximately 315 workers at its Indianapolis Engine Plant starting in the fourth quarter of 2002.

Reflecting the continued industry-wide decline in new truck orders, the company adjusted its industry projections for 2002. The company currently projects 2002 U.S. and Canadian Class 5, 6, and 7 medium truck demand, excluding school buses, to be 97,500 units, down from the previous forecast of 101,500 units. Demand for school buses remains unchanged at 26,000 units as does the forecast for Class 8 heavy trucks at 156,000 units.

The company, through its subsidiary IC Corporation (f/k/a American Transportation Corporation), announced the creation of a single brand identity for its line of integrated products, the rear engine, front engine and conventional school buses, which are built at IC Corporation's Conway, Arkansas and Tulsa, Oklahoma plants. The new identity was unveiled to dealers of the integrated school bus product at the annual bus dealer meeting in April 2002.

On June 1, 2002, the company's collective bargaining contract with the National Automobile, Aerospace and Agricultural Implement Workers of Canada (CAW) expired. Efforts to negotiate a new labor contract with the CAW failed, and on June 1, 2002, the CAW struck at the company's Chatham, Ontario, heavy truck assembly plant, whose employees are represented by the CAW. The company quickly implemented contingency plans designed to maintain production and shipment levels to meet the needs of its customers, including increasing premium conventional heavy truck production at its Escobedo Assembly Plant in Mexico. On July 15, 2002, the company and the CAW reached an agreement ratifying a new two-year labor contract that expires in June of 2004. Under this new contract, the company has the option to close the plant in June 2003.

Navistar International Corporation and Consolidated Subsidiaries

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes in the company's market risk exposure since October 31, 2001, as reported in the 2001 Annual Report on Form 10-K.

Item 4. Controls and Procedures

For the quarter ended July 31, 2002, the company did not make any significant changes to, nor take any corrective action regarding, its internal controls or other factors that could significantly affect these controls.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

The company and its subsidiaries are subject to various claims arising in the ordinary course of business, and are parties to various legal proceedings that constitute ordinary routine litigation incidental to the business of the company and its subsidiaries. In the opinion of the company's management, none of these proceedings or claims are material to the business or the financial condition of the company.

Various claims and controversies have arisen between the company and its former fuel system supplier, Caterpillar Inc. (Caterpillar), regarding the ownership and validity of certain patents covering fuel system technology used in the company's new version of diesel engines that were introduced in February 2002. In June 1999, in Federal Court in Peoria, IL, Caterpillar sued Sturman Industries, Inc. (Sturman), the company's joint venture partner in developing fuel system technology, alleging that technology invented and patented by Sturman and licensed to the company, belongs to Caterpillar. On July 18, 2002, the jury returned a verdict in favor of Caterpillar finding that this technology belongs to Caterpillar under a prior contract between Caterpillar and Sturman. Sturman is seeking to set aside the verdict and will appeal any adverse judgment. The company intends to cooperate in these efforts. The company believes that Caterpillar may assert claims against the company regarding this and other aspects of fuel system technology that it may claim is used in the company's new engines. In January 2002, Caterpillar sued the company in the Circuit Court in Peoria County, IL, and the company sued Caterpillar in the Circuit Court in Cook County, IL, each alleging the other breached the purchase agreement pursuant to which Caterpillar supplied fuel systems for the company's prior version of diesel engines. The company subsequently dismissed its Cook County, IL, suit against Caterpillar and consolidated its claims against Caterpillar in the Peoria County, IL, action. The alleged breaches involve Caterpillar's refusal to supply the new fuel system and the company's subsequent replacement of Caterpillar as the supplier of such systems for the company's new version of diesel engines. The company believes that it has meritorious defenses to any such claims Caterpillar has asserted or may assert against the company and will defend vigorously any such actions. Based upon the information developed to date, the company believes that the proceedings or claims will not have a material adverse impact on the business, results of operations or financial condition of the company.

Item 2. Changes in Securities and Use of Proceeds

Directors of the company who are not employees receive an annual retainer of $50,000, payable at their election in shares of common stock of the company or in cash. Currently the board of directors mandates that at least one-fourth of the annual retainer be paid in the form of common stock of the company. For the period covered by this report, receipt of approximately 935 shares were deferred as payment for the 2002 annual retainer. In each case, the shares were acquired at prices ranging from $31.66 to $38.58, which represented the fair market value of such shares on the date of acquisition. Exemption from registration of the shares is claimed by the company under Section 4(2) of the Securities Act of 1933, as amended.

Payments of cash dividends and the repurchase of common stock are currently limited due to restrictions contained in the company's $400 million Senior Notes, $250 million Senior Subordinated Notes and $19 million Note Purchase Agreement. The company has not paid dividends on the common stock since 1980 and does not expect to pay cash dividends on the common stock in the foreseeable future.

Item 6. Exhibits and reports on Form 8-K

	10-Q Page
(a) Exhibits:	
3. Articles of Incorporation and By-Laws	E-1
4. Instruments Defining The Rights of Security Holders, Including Indentures	E-2
10. Material Contracts	E-6
99.1 CEO Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	E-13
99.2 CFO Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	E-14

(b) Reports on Form 8-K:

A current report on Form 8-K was filed with the Commission on May 16, 2002, in which the company released its second quarter earnings.

A current report on Form 8-K was filed with the Commission on July 16, 2002, in which the company announced the ratification of a new labor contract with the CAW.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

NAVISTAR INTERNATIONAL CORPORATION
(Registrant)

/s/ Mark T. Schwetschenau
Mark T. Schwetschenau
Vice President and Controller
(Principal Accounting Officer)

September 13, 2002

CERTIFICATION

I, John R. Horne, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Navistar International Corporation;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report; and

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report.

Date: September 13, 2002

/s/ John R. Horne
John R. Horne
Chairman and Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION

I, Robert C. Lannert, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Navistar International Corporation;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report; and

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report.

Date: September 13, 2002

/s/ Robert C. Lannert
Robert C. Lannert
Vice Chairman and Chief Financial Officer
(Principal Financial Officer)

EXHIBIT 3

NAVISTAR INTERNATIONAL CORPORATION
AND CONSOLIDATED SUBSIDIARIES
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ARTICLES OF INCORPORATION AND BY-LAWS

The following documents of Navistar International Corporation are incorporated herein by reference:

3.1 Restated Certificate of Incorporation of Navistar International Corporation effective July 1, 1993, filed as Exhibit 3.2 to Annual Report on Form 10-K dated October 31, 1993, which was filed on January 27, 1994, Commission File No. 1-9618, and amended as of May 4, 1998.

3.2 The By-Laws of Navistar International Corporation effective April 14, 1995, filed as Exhibit 3.2 on Annual Report on Form 10-K dated October 31, 1995, which was filed on January 26, 1996, on Commission File No. 1-9618.

EXHIBIT 4

NAVISTAR INTERNATIONAL CORPORATION
AND CONSOLIDATED SUBSIDIARIES

INSTRUMENTS DEFINING RIGHTS OF SECURITY HOLDERS,
INCLUDING INDENTURES

The following instruments of Navistar International Corporation and its principal subsidiary International Truck and Engine Corporation, and its principal subsidiary Navistar Financial Corporation defining the rights of security holders are incorporated herein by reference.

4.1 Indenture, dated as of May 30, 1997, by and between Navistar Financial Corporation and The Fuji Bank and Trust Company, as Trustee, for 9% Senior Subordinated Notes due 2002 for $100,000,000. Filed on Registration No. 333-30167.

4.2 Indenture, dated as of February 4, 1998, by and between Navistar International Corporation and Harris Trust and Savings Bank, as Trustee, for 7% Senior Notes due 2003 for $100,000,000. Filed on Registration No. 333-47063.

4.3 Indenture, dated as of February 4, 1998, by and between Navistar International Corporation and Harris Trust and Savings Bank, as Trustee, for 8% Senior Subordinated Notes due 2008 for $250,000,000. Filed on Registration No. 333-47063.

4.4 $200,000,000 Mexican Peso Revolving Credit Agreement dated as of October 20, 1998 as amended by Amendment No. 4 dated as of October 31, 2001, and renewed on November 27, 2001, among Arrendadora Financiera Navistar S.A. de C.V., Servicios Financieros Navistar S.A. de C.V. and Navistar Comercial S.A. de C.V. and Comerica Bank Mexico, S.A. The Registrant agrees to furnish to the Commission upon request a copy of such agreement which it has elected not to file under the provisions of Regulation 601(b)(4)(iii).

4.5 $100,000,000 Revolving Credit Agreement dated as of July 9, 1999 as amended by Amendment No. 7 dated as of April 25, 2001, among Arrendadora Financiera Navistar S.A. de C.V., Servicios Financieros Navistar S.A. de C.V. and Navistar Comercial S.A. de C.V. and Banco Nacional de Mexico, S.A. de C.V. The Registrant agrees to furnish to the Commission upon request a copy of such agreement which it has elected not to file under the provisions of Regulation 601(b)(4)(iii).

4.6 $300,000,000 Mexican Peso Revolving Credit Agreement dated as of August 10, 1999, and renewed on November 21, 2001, among Servicios Financieros Navistar S.A. de C.V., Arrendadora Financiera Navistar S.A. de C.V., Navistar Comercial S.A. de C.V. and Bancomer, S.A. The Registrant agrees to furnish to the Commission upon request a copy of such agreement which it has elected not to file under the provisions of Regulation 601(b)(4)(iii).

4.7 $95,000,000 Forward contract dated as of April 20, 2000 by and between Navistar International Corporation and Royal Bank of Canada. The Registrant agrees to furnish to the Commission upon request a copy of such agreement which it has elected not to file under the provisions of Regulation 601(b)(4)(iii).

NAVISTAR INTERNATIONAL CORPORATION
AND CONSOLIDATED SUBSIDIARIES

INSTRUMENTS DEFINING RIGHTS OF SECURITY HOLDERS,
INCLUDING INDENTURES

4.8 $50,000,000 Mexican Peso Credit Agreement dated as of November 22, 2000, by and between Servicios Financieros Navistar, S.A. de C.V., Arrendadora Financiera Navistar, S.A. de C.V., Navistar Comercial, S.A. de C.V. and Banco Nacional de Obras y Servicios Publicos, S.N.C. The Registrant agrees to furnish to the Commission upon request a copy of such agreement which it has elected not to file under the provisions of Regulation 601(b)(4)(iii).

4.9 Credit Agreement for $820,000,000 Revolving Credit and Competitive Advance Facility dated as of December 8, 2000, between Navistar Financial Corporation, Arrendadora Financiera Navistar, S.A. de C.V., Servicios Financieros Navistar, S.A. de C.V. and Navistar Comercial, S.A. de C.V., as borrowers, lenders party hereto, The Chase Manhattan Bank as Administrative Agent, Bank of America as Syndication Agent and Bank of Nova Scotia as Documentation Agent. Filed as Exhibit 10.05 to Navistar Financial Corporation's Form 10-Q dated March 15, 2001. Commission File No. 1-4146-1.

4.10 Guarantee, dated as of December 8, 2000, made by Navistar International Corporation, in favor of The Chase Manhattan Bank, as Administrative Agent, for the lenders parties to the Credit Agreement, dated as of December 8, 2000, among Navistar Financial Corporation and Arrendadora Financiera Navistar, S.A. de C.V., Servicios Financieros Navistar, S.A. de C.V. and Navistar Comercial, S.A. de C.V., the Lenders, Bank of America, N.A., as syndication agent, The Bank of Nova Scotia, as documentation agent, and the Administrative Agent. Filed as Exhibit 10.07 to Navistar Financial Corporation’s Form 10-Q dated March 15, 2001. Commission File No. 1-4146-1.

4.11 Indenture, dated as of May 31, 2001, by and between Navistar International Corporation, International Truck and Engine Corporation and BNY Midwest Trust Company, as Trustee, for 9 3/8% Senior Notes due 2006 for $400,000,000. Filed on Registration No. 333-64626.

4.12 First Supplement to Indenture, dated as of May 31, 2001, by and between Navistar International Corporation, International Truck and Engine Corporation and BNY Midwest Trust Company, as Trustee, for 7% Senior Notes due 2003 for $100,000,000. Filed on Registration No. 333-64626.

4.13 First Supplement to Indenture, dated as of May 31, 2001, by and between Navistar International Corporation, International Truck and Engine Corporation and BNY Midwest Trust Company, as Trustee, for 8% Senior Subordinated Notes due 2008 for $250,000,000. Filed on Registration No. 333-64626.

4.14 Note Purchase Agreement, dated as of June 15, 2001, as amended by Amendment dated August 16, 2001, between International Truck and Engine Corporation and the State of Wisconsin Investment Board for 9.95% Senior Notes due 2011 for $19,000,000. The Registrant agrees to furnish to the Commission upon request a copy of such agreement, which it has elected not to file under the provisions of Regulation 601(b)(4)(iii).

NAVISTAR INTERNATIONAL CORPORATION
AND CONSOLIDATED SUBSIDIARIES

INSTRUMENTS DEFINING RIGHTS OF SECURITY HOLDERS,
INCLUDING INDENTURES

4.15 $250,000,000 Mexican Peso Credit Agreement dated as of July 25, 2001 by and between Servicios Financieros Navistar S.A. de C.V., Arrendadora Financiera Navistar, S.A. de C.V., Navistar Comercial, S.A. de C.V. and Banco Nacional de Obras y Servicios Publicos, S.N.C. The Registrant agrees to furnish to the Commission upon request a copy of such agreement which it has elected not to file under the provisions of Regulation 601(b)(4)(iii).

4.16 First Supplement to Indenture, dated as of August 22, 2001, by and between Navistar International Corporation, International Truck and Engine Corporation and BNY Midwest Trust Company, as Trustee, for 9 3/8% Senior Notes due 2006 for $400,000,000. Filed as Exhibit 4.19 to Annual Report on Form 10-K dated December 18, 2001. Commission File No. 1-9618.

4.17 Second Supplement to Indenture, dated as of August 22, 2001, by and between Navistar International Corporation, International Truck and Engine Corporation and BNY Midwest Trust Company, as Trustee, for 8% Senior Subordinated Notes due 2008 for $250,000,000. Filed as Exhibit 4.20 to Annual Report on Form 10-K dated December 18, 2001. Commission File No. 1-9618.

4.18 $30,000,000 Revolving Credit Agreement dated as of October 25, 2001, among Arrendadora Financiera Navistar S.A de C.V., Servicios Financieros Navistar S.A. de C.V., Navistar Comercial S.A. de C.V. and Export Development Corporation. The Registrant agrees to furnish to the Commission upon request a copy of such agreement which it has elected not to file under the provisions of Regulation 601(b)(4)(iii).

4.19 $500,000,000 Mexican Peso Medium Term Promissory Notes Program issued November 22, 2001, by Servicios Financieros Navistar S.A. de C.V. and placed in the market by the intermediate underwriter Casa de Bolsa Citibank, S.A. de C.V. The Registrant agrees to furnish to the Commission upon request a copy of such agreement which it has elected not to file under the provisions of Regulation 601(b)(4)(iii).

4.20 Navistar International Corporation Restated Stock Certificate filed as Exhibit 4.20 to Form 10-Q dated March 11, 2002. Commission File No. 1-9618.

4.21 Indenture, dated as of March 25, 2002, by and among Navistar Financial Corporation, Navistar International Corporation and BNY Midwest Trust Company, as Trustee, for Navistar Financial Corporation's 4.75% Subordinated Exchangeable Notes due 2009 for $220,000,000. Filed as Exhibit 4.1 to Form S-3 dated May 7, 2002. Registration No. 333-87716.

NAVISTAR INTERNATIONAL CORPORATION
AND CONSOLIDATED SUBSIDIARIES

INSTRUMENTS DEFINING RIGHTS OF SECURITY HOLDERS,
INCLUDING INDENTURES

4.22 Registration Rights Agreement, dated as of March 25, 2002, by and among Navistar Financial Corporation, Navistar International Corporation, Salomon Smith Barney, Inc. and Banc of America Securities, LLC. Filed as Exhibit 4.2 to Form S-3 dated May 7, 2002. Registration No. 333-87716.

4.23 $120,000,000 Mexican Peso Revolving Credit Agreement dated as of February 27, 2002, among Arrendadora Financiera Navistar, S.A. de C.V., as borrower, and Nacional Financiera, S.N.C., as lender. The Registrant agrees to furnish to the Commission upon request a copy of such agreement which it has elected not to file under the provisions of Regulation 601(b)(4)(iii).

4.24 $120,000,000 Mexican Peso Revolving Credit Agreement dated as of February 27, 2002, among Servicios Financieros Navistar, S.A. de C.V., as borrower, and Nacional Financiera, S.N.C., as lender. The Registrant agrees to furnish to the Commission upon request a copy of such agreement which it has elected not to file under the provisions of Regulation 601(b)(4)(iii).

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Instruments defining the rights of holders of other unregistered long-term debt of Navistar and its subsidiaries have been omitted from this exhibit index because the amount of debt authorized under any such instrument does not exceed 10% of the total assets of the Registrant and its consolidated subsidiaries. The Registrant agrees to furnish a copy of any such instrument to the Commission upon request.

EXHIBIT 10

NAVISTAR INTERNATIONAL CORPORATION AND CONSOLIDATED SUBSIDIARIES

MATERIAL CONTRACTS

The following documents of Navistar International Corporation and its affiliate Navistar Financial Corporation are incorporated herein by reference.

10.38 Indenture dated as of April 30, 2002, between Navistar Financial 2002-A Owner Trust and The Bank of New York, as Indenture Trustee, with respect to Navistar Financial 2002-A Owner Trust. Filed on Registration No. 333-67112

The following documents of Navistar International Corporation are filed herewith.

		Form 10-Q Page
10.39*	Employment Agreement between Navistar International Corporation, International Truck and Engine Corporation and John R. Horne.	E-7
10.40*	Employment Agreement between Navistar International Corporation, International Truck and Engine Corporation and Robert C. Lannert.	E-10

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* Indicates a management contract or compensatory plan or arrangement required to be filed as an exhibit to this report pursuant to Item 14c.

EXHIBIT 10.39

JOHN R. HORNE
EMPLOYMENT AGREEMENT

This Employment Agreement (the "Agreement") is entered into between Navistar International Corporation, a Delaware corporation (the "Company"), its principal operating subsidiary, International Truck and Engine Corporation, a Delaware corporation ("International"), and John R. Horne, a resident of the State of Illinois (the "Executive"), as of July 8, 2002.

WHEREAS, the Executive has advised the Board of Directors of the Company (the "Board of Directors" or the "Board") that he intends to step down as a director and Chairman of the Board and retire as an employee of the Company and International on February 23, 2003, when he attains the age of sixty-five.

WHEREAS, the Board and the Executive have determined that it would be appropriate to initiate a management transition process that includes the designation of a Chief Operating Officer, creation of the Office of the Chairman and the eventual designation of a successor Chief Executive Officer.

WHEREAS, the Board desires to retain the Executive as an employee, director and a member of the Office of the Chairman for a minimum of one (1) additional year beyond his planned retirement date and as a consultant following Executive's retirement.

NOW, THEREFORE, This Agreement is hereby entered into in consideration of the following covenants and mutual promises.

1. Retirement Transition and Succession. In order to facilitate and assist in the management transition, the Executive will continue as a director and Chairman of the Board and as an employee at least until February 23, 2004 (the "Retirement Date"). It is anticipated that prior to the Retirement Date the Board will designate a new Chief Executive Officer. To further facilitate and assist in the management transition, the Executive has established an Office of the Chairman comprised of the Executive, Daniel C. Ustian, recently designated President and Chief Operating Officer and Robert C. Lannert, Vice Chairman of the Board.

2. Compensation prior to the Retirement Date. The Executive shall continue to receive his base salary and benefits until the Retirement Date. The Executive's base salary shall be reviewed annually by the Committee on Compensation and Governance ("Committee") of the Board of Directors and increased as determined by the Committee and approved by the Board of Directors considering the individual performance of the Executive. In no event shall any such increase be less than 5% for calendar year 2003. Until the Retirement Date, Executive will continue to receive stock option awards in accordance with the Company's current program, policies and practices. Effective upon the Retirement Date, Executive will be eligible for a prorated Annual Incentive Plan award for the fiscal year of his retirement. Any such award will be determined and paid in accordance with the Company's current program, policies and practices.

3. Resignation of Officerships, Titles and Directorships. Effective on the Retirement Date unless extended by mutual agreement of the Company and the Executive, the Executive will resign all then remaining officerships, titles, and directorships with the Company, its subsidiaries and affiliates.

4. Managerial Retirement Objective Plan. On the Retirement Date, as long as the Executive continues to comply with the conditions set forth in this Agreement, Executive's accrued benefit under the International Managerial Retirement Objective Plan (the "MRO" Plan) shall be calculated based on the Executive's highest consecutive 60 months of base salary plus the Executive's highest five (5) Annual Incentive Awards, in each case within the 10 year period prior to the Retirement Date.

5. Prior Agreements. Except to the extent that this Agreement results in a larger or greater benefit than may be provided to the Executive under the terms of the MRO Plan, this Agreement shall not be deemed to supercede, or be in substitution of, any policy, program, contract or arrangement adopted by the Company prior to the Retirement Date or any prior agreements between the Executive and the Company regarding Executive's employment, including, without limitation, the Executive Severance Agreement between the Company, International and the Executive, dated June 16, 1997, as amended by Executive Severance Agreement Amendment, effective October 17, 2000, (the "Executive Severance Agreement"), which Executive Severance Agreement shall continue in full force and effect as provided therein.

6. Consulting Services Following the Retirement Date. Commencing on the Retirement Date and continuing during the Executive's lifetime, Executive agrees to provide to the Company, upon reasonable advance notice and at times reasonably agreeable to the Executive, such occasional executive or managerial services which the Company may reasonably request. Nothing contained in this paragraph shall be deemed to create an employment relationship between the Company and Executive. In providing such consulting servic es, Executive shall be an independent contractor and shall not have the authority to bind the Company with respect to any matter. The Company shall reimburse Executive for all out-of-pocket expenses reasonably and necessarily incurred in the performance of such consulting services, provided the Company's policies of documentation and approval are satisfied. All expenses incurred shall be reviewed and approved by the Company's Internal Audit Staff.

7. Non-Competition. Commencing on the Retirement Date and continuing during the Executive's lifetime, Executive will not engage, directly or indirectly, in any employment, consulting, or other activity in any business competitive with the Company, International and its subsidiaries.

8. Termination; Change in Control. Notwithstanding anything in this Agreement to the contrary, in the event of a Termination as defined in paragraph 4(a) or 4(b) of the Executive Severance Agreement, the Retirement Date shall be the date of such Termination; provided, however, in the event of a Termination as defined in paragraph 4(b) of the Executive Severance Agreement the Company shall pay the Executive, within 30 days after Termination, a lump sum in cash equal to the present value of the Executive's accrued benefit under the MRO Plan as determined hereunder. Such present value shall be determined using actuarial assumptions and discount rules consistent with Company practices immediately prior to the Termination.

9. Arbitration of All Disputes. Any controversy or claim relating to this Agreement (except for court action initiated by the Company to enforce the Executive's non-competition covenants) will be settled exclusively by arbitration in Chicago, Illinois in accordance with the rules of the American Arbitration Association then in effect. Any arbitration award will be binding on the parties and may be enforced in any court having jurisdiction.

10. Severability. If all or any part of this Agreement is declared by any court or governmental authority to be unlawful or invalid, such unlawfulness or invalidity shall not invalidate any other portion of this Agreement. Any section or a part of a section declared to be unlawful or invalid shall, if possible, be construed in a manner, or shall be deemed modified in a manner, which will give effect to the terms of the section to the fullest extent possible while remaining lawful and valid.

11. Notices. Any notices, requests, demands or other communications provided for by this Agreement shall be sufficient if in writing and if sent by registered or certified mail, return receipt requested, to the Executive at the last address filed in writing with the Company or, in the case of the Company or International, to the Company or International at its principal executive offices, attention General Counsel.

12. Non-Alienation. The Executive shall not have any right to pledge, hypothecate, anticipate or in any way create a lien upon any termination payments or other benefits provided under this Agreement; and no termination payments or other benefits payable hereunder shall be assignable in anticipation of payment either by voluntary or involuntary acts, or by operation of law. This provision does not affect beneficiary designations or testamentary dispositions to the extent applicable.

13. Governing Law. The provisions of this Agreement shall be construed in accordance with the internal law of the State of Illinois.

14. Amendment. This Agreement may be amended or canceled by mutual agreement of the parties in writing without the consent of any other person and, so long as the Executive lives, no person, other than the parties hereto, shall have any rights under or interest in this Agreement or the subject matter hereof.

15. Successors; Binding Agreement. All provisions of this Agreement shall inure to the benefit of and be binding upon the successors and assigns of the Company and International. The Company and International will require its respective successor or assign to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company and International would be required to perform it if no such succession or assignment had taken place.

IN WITNESS WHEREOF, the Executive has hereunto set his hand and, pursuant to the authorization from its Board of Directors, the Company and International have each caused these presents to be executed in its name on its behalf, and its corporate seal to be hereunto affixed and attested by its Secretary, all as of the day and year first above written.

NAVISTAR INTERNATIONAL CORPORATION

By: /s/ Robert A. Boardman
Senior Vice President and General Counsel

ATTEST:

/s/ Robert J. Perna
Secretary

NAVISTAR INTERNATIONAL TRANSPORTATION CORPORATION

By: /s/ Robert A. Boardman
Senior Vice President and General Counsel

ATTEST:

/s/ Gregory Lennes
Secretary

/s/ John R. Horne
JOHN R. HORNE

EXHIBIT 10.40

ROBERT C. LANNERT
EMPLOYMENT AGREEMENT

This Employment Agreement (the “Agreement”) is entered into between Navistar International Corporation, a Delaware corporation (the “Company”), its principal operating subsidiary, International Truck and Engine Corporation, a Delaware corporation (“International”), and Robert C. Lannert, a resident of the State of Illinois (the “Executive”), as of July 8, 2002.

WHEREAS, the Executive has advised the Board of Directors of the Company that he intends to step down as a director and Chief Financial Officer and retire as an employee of the Company and International prior to March 14, 2005, when he attains the age of sixty-five.

WHEREAS, the Board and the Executive have determined that it would be appropriate to initiate a management transition process that includes the designation of a new Chief Executive Officer and a new Chief Financial Officer and the creation of the Office of the Chairman.

WHEREAS, the Board desires to retain the Executive as a director and an employee and a member of the Office of the Chairman beyond his planned retirement date until March 14, 2005, when he attains the age of 65, and as a consultant following Executive’s retirement.

NOW, THEREFORE, This Agreement is hereby entered into in consideration of the following covenants and mutual promises.

1. Retirement Transition and Succession Planning. In order to facilitate and assist in the management transition, the Executive will continue as a director and employee of the Company at least until March 14, 2005 (the “Retirement Date”). It is anticipated that prior to the Retirement Date the Board will designate new Chief Executive and Chief Financial Officers. To further facilitate and assist in the management transition, the Executive has been designated Vice Chairman of the Board and became a member of the Office of the Chairman comprised of the Executive, John Horne, currently Chairman of the Board and Chief Executive Officer, and Daniel C. Ustain, recently designated President and Chief Operating Officer.

2. Compensation prior to the Retirement Date. The Executive shall continue to receive his base salary and benefits until the Retirement Date. The Executive’s base salary shall be reviewed annually by the Committee on Compensation and Governance (“Committee”) of the Board of Directors and increased as determined by the Committee and approved by the Board of Directors considering the individual performance of the Executive. In no event shall any such increase be less than 5% per year. Until the Retirement Date, Executive will continue to receive stock option awards in accordance with the Company’s current program, policies and practices. Effective upon the Retirement Date, Executive will be eligible for a prorated Annual Incentive Plan award for the fiscal year of his retirement. Any such award will be determined and paid in accordance with the Company’s current program, policies and practices.

3. Resignation of Officerships, Titles and Directorships. Effective on the Retirement Date, unless extended by mutual agreement of the Company and the Executive, the Executive will resign all then remaining officerships, titles, and directorships with the Company, its subsidiaries and affiliates.

4. Managerial Retirement Objective Plan. On the Retirement Date, as long as the Executive continues to comply with the conditions set forth in this Agreement, Executive’s accrued benefit under the International Managerial Retirement Objective Plan (the “MRO” Plan) shall be calculated based on the Executive’s highest consecutive 60 months of base salary plus the Executive’s highest five (5) Annual Incentive Awards, in each case within the 10 year period prior to the Retirement Date.

5. Prior Agreements. Except to the extent that this Agreement results in a larger or greater benefit than may be provided to the Executive under the terms of the MRO Plan, this Agreement shall not be deemed to supercede, or be in substitution of, any policy, program, contract or arrangement adopted by the Company prior to the Retirement Date or any prior agreements between the Executive and the Company regarding Executive's employment, including, without limitation, the Executive Severance Agreement between the Company, International and the Executive, dated June 16, 1997, as amended by Executive Severance Agreement Amendment, effective October 17, 2000, (the "Executive Severance Agreement"), which Executive Severance Agreement shall continue in full force and effect as provided therein.

6. Consulting Services Following the Retirement Date. Commencing on the Retirement Date and continuing during the Executive's lifetime , Executive agrees to provide to the Company, for no additional compensation and upon reasonable advance notice and at times reasonably agreeable to the Executive, such occasional executive or managerial services which the Company may reasonably request. Nothing contained in this paragraph shall be deemed to create an employment relationship between the Company and Executive. In providing such consulting services, Executive shall be an independent contractor and shall not have the authority to bind the Company with respect to any matter. The Company shall reimburse Executive for all out-of-pocket expenses reasonably and necessarily incurred in the performance of such consulting services, provided the Company's policies of documentation and approval are satisfied. All expenses incurred shall be reviewed and approved by the Company's Internal Audit Staff.

7. Non-Competition. Commencing on the Retirement Date and continuing during the Executive's lifetime, Executive will not engage, directly or indirectly, in any employment, consulting, or other activity in any business competitive with the Company, International and its subsidiaries.

8. Termination; Change in Control. Notwithstanding anything in this Agreement to the contrary, in the event of a Termination as defined in paragraph 4(a) or 4(b) of the Executive Severance Agreement, the Retirement Date shall be the date of such Termination; provided, however, in the event of a Termination as defined in paragraph 4(b) of the Executive Severance Agreement the Company shall pay the Executive, within 30 days after Termination, a lump sum in cash equal to the present value of the Executive's accrued benefit under the MRO Plan as determined hereunder. Such present value shall be determined using actuarial assumptions and discount rules consistent with Company practices immediately prior to the Termination.

9. Arbitration of All Disputes. Any controversy or claim relating to this Agreement (except for court action initiated by the Company to enforce the Executive's non-competition covenants) will be settled exclusively by arbitration in Chicago, Illinois in accordance with the rules of the American Arbitration Association then in effect. Any arbitration award will be binding on the parties and may be enforced in any court having jurisdiction.

10. Severability. If all or any part of this Agreement is declared by any court or governmental authority to be unlawful or invalid, such unlawfulness or invalidity shall not invalidate any other portion of this Agreement. Any section or a part of a section declared to be unlawful or invalid shall, if possible, be construed in a manner, or shall be deemed modified in a manner, which will give effect to the terms of the section to the fullest extent possible while remaining lawful and valid.

11. Notices. Any notices, requests, demands or other communications provided for by this Agreement shall be sufficient if in writing and if sent by registered or certified mail, return receipt requested, to the Executive at the last address filed in writing with the Company or, in the case of the Company or International, to the Company or International at its principal executive offices, attention General Counsel.

12. Non-Alienation. The Executive shall not have any right to pledge, hypothecate, anticipate or in any way create a lien upon any termination payments or other benefits provided under this Agreement; and no termination payments or other benefits payable hereunder shall be assignable in anticipation of payment either by voluntary or involuntary acts, or by operation of law. This provision does not affect beneficiary designations or testamentary dispositions to the extent applicable.

13. Governing Law. The provisions of this Agreement shall be construed in accordance with the internal law of the State of Illinois.

14. Amendment. This Agreement may be amended or canceled by mutual agreement of the parties in writing without the consent of any other person and, so long as the Executive lives, no person, other than the parties hereto, shall have any rights under or interest in this Agreement or the subject matter hereof.

15. Successors; Binding Agreement. All provisions of this Agreement shall inure to the benefit of and be binding upon the successors and assigns of the Company and International. The Company and International will require its respective successor or assign to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company and International would be required to perform it if no such succession or assignment had taken place.

IN WITNESS WHEREOF, the Executive has hereunto set his hand and, pursuant to the authorization from its Board of Directors, the Company and International have each caused these presents to be executed in its name on its behalf, and its corporate seal to be hereunto affixed and attested by its Secretary, all as of the day and year first above written.

NAVISTAR INTERNATIONAL CORPORATION

By: /s/ Robert A. Boardman
Senior Vice President and General Counsel

ATTEST:

/s/ Robert J. Perna
Secretary

NAVISTAR INTERNATIONAL TRANSPORTATION CORPORATION

By: /s/ Robert A. Boardman
Senior Vice President and General Counsel

ATTEST:

/s/ Gregory Lennes
Secretary

/s/ Robert C. Lannert
ROBERT C. LANNERT

EXHIBIT 99.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Navistar International Corporation (the "Company") on Form 10-Q for the period ended July 31, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John R. Horne, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ John R. Horne
John R. Horne
Chief Executive Officer
September 13, 2002

This certification accompanies the Report pursuant to § 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

EXHIBIT 99.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Navistar International Corporation (the "Company") on Form 10-Q for the period ended July 31, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Robert C. Lannert, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Robert C. Lannert
Robert C. Lannert
Chief Financial Officer
September 13, 2002

This certification accompanies the Report pursuant to § 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.