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, 2005

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 ___

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule12b-2 of the Act.) Yes X No __

Indicate by check mark whether the registrant is a shell company (as defined in Rule12b-2 of the Act.) Yes __ No X .

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, 2005, the number of shares outstanding of the registrant's common stock was 70,106,556.

NAVISTAR INTERNATIONAL CORPORATION
AND CONSOLIDATED SUBSIDIARIES

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PART I - FINANCIAL INFORMATION

ITEM 1. Condensed Consolidated 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**	
	2005	2004	**2005**	2004
		* As Restated		* As Restated
Sales and revenues				
Sales of manufactured products	**$ 2,923**	$ 2,294	**$ 8,318**	$ 6,456
Finance revenue	**60**	55	**180**	182
Other income	**11**	-	**24**	9
Total sales and revenues	**2,994**	2,349	**8,522**	6,647
Costs and expenses				
Cost of products and services sold	**2,474**	1,953	**7,149**	5,582
Restructuring and other non-recurring charges	**-**	(5)	**-**	(1)
Postretirement benefits expense	**59**	43	**178**	162
Engineering and research expense	**91**	66	**254**	181
Selling, general and administrative expense	**210**	174	**584**	473
Interest expense	**51**	31	**126**	96
Other expense	**12**	5	**26**	20
Total costs and expenses	**2,897**	2,267	**8,317**	6,513
Income before income taxes	**97**	82	**205**	134
Income tax expense	**33**	32	**70**	46
Net income	**$ 64**	$ 50	**$ 135**	$ 88
Earnings per share				
Basic	**$ 0.91**	$ 0.72	**$ 1.93**	$ 1.27
Diluted	**$ 0.83**	$ 0.66	**$ 1.78**	$ 1.19
Average shares outstanding (millions)				
Basic	**70.1**	69.9	**70.1**	69.6
Diluted	**79.9**	80.0	**80.1**	80.2

See Notes to Financial Statements.

* See Note Q to the Financial Statements.

STATEMENT OF FINANCIAL CONDITION (Unaudited)
Millions of dollars

	Navistar International Corporation and Consolidated Subsidiaries		
	July 31 2005	October 31 2004	July 31 2004
ASSETS			* As Restated
Current assets			
Cash and cash equivalents	**$ 593**	$ 605	$ 478
Marketable securities	**719**	182	6
Receivables, net	**962**	1,215	850
Inventories	**1,064**	790	856
Deferred tax asset, net	**169**	207	152
Other assets	**224**	168	183
Total current assets	**3,731**	3,167	2,525
Marketable securities	**523**	73	424
Finance and other receivables, net	**1,108**	1,222	878
Property and equipment, net	**1,533**	1,444	1,405
Investments and other assets	**516**	374	327
Prepaid and intangible pension assets	**90**	73	70
Deferred tax asset, net	**1,266**	1,239	1,290
Total assets	**$ 8,767**	$ 7,592	$ 6,919
LIABILITIES AND SHAREOWNERS' EQUITY			
Liabilities			
Current liabilities			
Notes payable and current maturities of long-term debt	**$ 1,170**	$ 823	$ 271
Accounts payable, principally trade	**1,383**	1,462	1,161
Other liabilities	**996**	965	844
Total current liabilities	**3,549**	3,250	2,276
Debt: Manufacturing operations	**1,359**	1,258	1,268
Financial services operations	**1,361**	787	1,253
Postretirement benefits liability	**1,426**	1,382	1,391
Other liabilities	**384**	384	364
Total liabilities	**8,079**	7,061	6,552
Commitments and contingencies			
Shareowners' equity			
Series D convertible junior preference stock	**4**	4	4
Common stock and additional paid in capital (75.3 million shares issued)	**2,078**	2,096	2,087
Retained earnings (deficit)	**(470)**	(604)	(762)
Accumulated other comprehensive loss	**(756)**	(789)	(782)
Common stock held in treasury, at cost (5.2 million, 5.3 million and 5.5 million shares held)	**(168)**	(176)	(180)
Total shareowners' equity	**688**	531	367
Total liabilities and shareowners' equity	**$ 8,767**	$ 7,592	$ 6,919

See Notes to Financial Statements.

* See Note Q to the Financial Statements.

STATEMENT OF CASH FLOW (Unaudited)
Millions of dollars

	Navistar International Corporation and Consolidated Subsidiaries	
	Nine Months Ended July 31	
	2005	2004
		* As Restated
Cash flow from operating activities		
Net income	**$ 135**	$ 88
Adjustments to reconcile net income to cash provided by (used in) operating activities:		
Depreciation and amortization	**168**	149
Deferred income taxes	**20**	18
Postretirement benefits funding less than (in excess of) expense	**45**	(173)
Gains on sales of receivables	**(14)**	(26)
Other, net	**(20)**	(89)
Change in operating assets and liabilities, net of effect of acquisitions:		
Receivables	**79**	(45)
Inventories	**(246)**	(240)
Prepaid and other current assets	**(34)**	(30)
Accounts payable	**(50)**	51
Other liabilities	**3**	61
Cash provided by (used in) operating activities	**86**	(236)
Cash flow from investment programs		
Purchases of retail notes and lease receivables	**(1,240)**	(1,192)
Collections/sales of retail notes and lease receivables	**1,537**	1,360
Purchases of marketable securities	**(1,676)**	(235)
Sales or maturities of marketable securities	**688**	401
Capital expenditures	**(107)**	(103)
Property and equipment leased to others	**21**	4
Acquisitions and investment in affiliates	**(229)**	(1)
Other investment programs	**(83)**	(16)
Cash provided by (used in) investment programs	**(1,089)**	218
Cash flow from financing activities		
Issuance of debt	**1,029**	165
Principal payments on debt	**(111)**	(194)
Net increase in notes and debt outstanding under bank revolving credit facility and commercial paper programs	**80**	56
Premium on call options, net	**-**	(22)
Other financing activities	**(7)**	24
Cash provided by financing activities	**991**	29
Cash and cash equivalents		
Increase (decrease) during the period	**(12)**	11
At beginning of the period	**605**	467
Cash and cash equivalents at end of the period	**$ 593**	$ 478
Supplemental cash flow information		
Interest paid	**$ 122**	$ 113
Income taxes paid, net of refunds	**$ 18**	$ 16

See Notes to Financial Statements.

* See Note Q to the Financial Statements.

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, majority owned dealers and its wholly owned financial services subsidiaries. The effects of transactions between the manufacturing, dealer 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 2004 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 necessary to present fairly the financial position, results of operations and cash flow for the periods presented. In the current quarter, the company recorded charges of $14 million related to a foundry operation, including $11 million to correct the location's inventory balances based upon physical counts conducted during the third quarter. This inventory adjustment was charged to the current period because the company was not able to determine the prior period to which the adjustment may have related. For the nine month period, the inventory charge described above combined with the correction of certain other accounting errors ($7 million) and other adjustments related to changes in estimates ($15 million) for this location totaled approximately $33 million. The errors primarily involved capitalized costs that should have been expensed in the prior periods in which they occurred.

Interim results are not necessarily indicative of results for the full year. Certain 2004 and 2005 amounts have been reclassified to conform with the presentation used in the 2005 financial statements in this report.

Statement of Financial Accounting Standards (SFAS) No. 123, "Accounting for Stock-Based Compensation" and SFAS No. 148, "Accounting for Stock-Based Compensation – Transition and Disclosure," encourage, but do not require, companies to record compensation cost for stock-based employee compensation plans at fair value. The company has chosen to continue to account for stock-based compensation in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations. Accordingly, no compensation cost has been recognized for fixed stock options because the exercise prices of the stock options equal the market value of the company's common stock at the date of grant. The following table illustrates the effect on the company's net income and earnings per share if the company had applied the fair value recognition provision of SFAS No. 123 in accordance with the disclosure provisions of SFAS No. 148.

	Three Months Ended July 31		**Nine Months Ended July 31**	
Millions of dollars, except per share data	**2005**	2004	**2005**	2004
Net income, as reported	**$ 64**	$ 50	**$ 135**	$ 88
Add: Interest expense on 2.5% senior convertible and 4.75% subordinated exchangeable debt for dilutive purposes (net of tax)	**2**	3	**7**	7
Adjusted net income available to common shareholders plus assumed conversions	**66**	53	**142**	95
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards net of related tax effects	**(2)**	(3)	**(8)**	(10)
Pro forma net income	**$ 64**	$ 50	**$ 134**	$ 85
Earnings per share:				
Basic – as reported	**$ 0.91**	$ 0.72	**$ 1.93**	$ 1.27
Basic – pro forma	**$ 0.88**	$ 0.68	**$ 1.81**	$ 1.13
Diluted – as reported	**$ 0.83**	$ 0.66	**$ 1.78**	$ 1.19
Diluted – pro forma	**$ 0.80**	$ 0.62	**$ 1.67**	$ 1.06

Note B. New Accounting Pronouncements

In December 2004, the Financial Accounting Standards Board (FASB) issued SFAS No. 123 (revised 2004), “Share-Based Payment.” This Statement generally requires the recognition of the cost of employee services received in exchange for an award of equity instruments. This cost is based on the grant date fair value of the equity award and will be recognized over the period during which the employee is required to provide service in exchange for the award. The effective date for the company is the beginning of the first fiscal quarter of 2006. The company is still evaluating its share-based payment programs and the related impact this Statement may have on its results of operations, financial condition or cash flows.

In November 2004, the FASB issued SFAS No. 151, “Inventory Costs,” to clarify the accounting for abnormal amounts of idle facility expense, freight, handling costs and wasted material. The Statement clarifies that abnormal inventory costs should be recognized in the period in which they occur. This Statement is effective for inventory costs incurred during fiscal years beginning after June 15, 2005. The company will adopt this Statement in fiscal 2006 but has not yet determined the effect, if any, this Statement may have on its results of operations, financial condition or cash flows.

In December 2004, the FASB issued SFAS No. 153, “Exchanges of Nonmonetary Assets,” to amend Accounting Principles Board Opinion No. 29, “Accounting for Nonmonetary Transactions” (APB No. 29). The Statement eliminates the exception from fair value measurement for nonmonetary exchanges of similar products in APB No. 29 and replaces it with an exception for exchanges that do not have commercial substance. This Statement will be applied prospectively for nonmonetary asset exchanges occurring in fiscal periods beginning after June 15, 2005. The company does not expect this statement will have a material impact on its results of operations, financial condition or cash flows.

In December 2004, the FASB issued two FASB Staff Positions (FSPs) that provide accounting guidance on how companies should account for the effects of the American Jobs Creation Act of 2004 (the Act) that was signed into law on October 22, 2004. The Act could affect how companies report their deferred income tax balances. The first FSP is FSP FAS 109-1 (FSP 109-1); the second is FSP FAS 109-2 (FSP 109-2). In FSP 109-1, the FASB concludes that the tax relief (special tax deduction for domestic manufacturing) from the Act should be accounted for as a "special deduction" instead of a tax rate reduction. The company continues to evaluate the impact, if any, this FSP may have on its results of operations, financial condition or cash flows. FSP 109-2 gives a company additional time to evaluate the effects of the Act on any plan for reinvestment or repatriation of foreign earnings for purposes of applying SFAS No. 109, “Accounting for Income Taxes.” However, the company must provide certain disclosures if it chooses to utilize the additional time granted by the FASB. The company has completed its evaluation and does not intend to repatriate foreign earnings.

In March 2005, the FASB issued FASB Interpretation (FIN) No. 47, “Accounting for Conditional Asset Retirement Obligations.” This Interpretation addresses diverse accounting practices that developed with respect to the timing of liability recognition for legal obligations associated with the retirement of a tangible long-lived asset when the timing and (or) method of settlement of the obligation are conditional on a future event. FIN No. 47 concludes that an entity is required to recognize a liability for the fair value of a conditional asset retirement obligation when incurred if the liability's fair value can be reasonably estimated. This Interpretation is effective no later than the end of fiscal years ending after December 15, 2005. The company does not have any such asset retirement obligations at this time. The company expects that this Interpretation will have no impact on the company’s results of operations, financial condition or cash flows.

In May 2005, the FASB issued SFAS No. 154, “Accounting Changes and Error Corrections,” to replace Accounting Principles Board Opinion No. 20, “Accounting Changes” and SFAS No. 3, “Reporting Accounting Changes in Interim Financial Statements.” This Statement provides guidance on the accounting for and reporting of accounting changes and error corrections. It also establishes the required methods by which entities should include accounting changes or error corrections in previously issued financial statements. This Statement is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. Early adoption is permitted for accounting changes and corrections of errors made in fiscal years beginning after the date this Statement was issued. The company intends to adopt this Statement for fiscal 2006.

Note C. Business Combinations

In April 2005, the company acquired MWM Motores Diesel Ltda (MWM), a Brazilian entity. MWM produces a broad line of medium and high-speed diesel engines in the 50 to 310 horsepower range for use in pick-ups, trucks, vans, light and semi-heavy trucks, as well as agricultural, marine and electric generator applications. The acquisition was effective April 1, 2005, therefore, the company's Condensed Consolidated Financial Statements include the operating results of MWM as of that date. For the three months ended July 31, 2005, MWM contributed $7 million in profit. The Administrative Council for Economic Defense (CADE), the Brazilian antitrust regulatory authority, must review and approve the acquisition, and that review is still pending. Only minimal synergies can be achieved prior to CADE approval and CADE may require divestiture of assets or impose other conditions on the acquisition. This uncertainty inhibits the company from completing certain aspects of the purchase accounting associated with the acquisition of MWM. Once CADE finalizes its review, management will evaluate its engine operations within Brazil, decide how to best utilize its resources to meet the needs of its customers and complete the accounting associated with the acquisition.

Note D. Postretirement Benefits

Postretirement Benefits Expense

The company provides postretirement benefits to a substantial portion of its employees. Costs associated with postretirement benefits include pension and postretirement healthcare expenses for employees, retirees and surviving spouses and dependents. In addition, as part of the 1993 restructured healthcare and life insurance plans, profit sharing payments to the Retiree Supplemental Benefit Trust (Trust) are required.

The cost of postretirement benefits is segregated as a separate component on the Statement of Income and is as follows:

	Three Months Ended July 31		**Nine Months Ended July 31**	
Millions of dollars	**2005**	2004	**2005**	2004
Pension expense	**$ 17**	$ 14	**$ 52**	$ 52
Other benefits expense	**42**	32	**126**	108
Profit sharing provision to Trust	**-**	(3)	**-**	2
Net postretirement benefits expense	**$ 59**	$ 43	**$ 178**	$ 162

Note D. Postretirement Benefits (continued)

Net periodic postretirement benefits expense included on the Statement of Income is composed of the following:

	Pension Expense			
	Three Months Ended July 31		Nine Months Ended July 31	
Millions of dollars	**2005**	2004	**2005**	2004
Service costs for benefits earned during the period	**$ 6**	$ 3	**$ 18**	$ 17
Interest on obligation	**55**	58	**166**	174
Amortization of cumulative losses	**15**	12	**44**	37
Amortization of prior service cost	**2**	1	**6**	4
Other	**6**	7	**19**	20
Less expected return on assets	**(67)**	(67)	**(201)**	(200)
Net pension expense	**$ 17**	$ 14	**$ 52**	$ 52

“Other” in the above table includes the expense related to yearly lump-sum payments to retirees required by negotiated labor contracts, expense related to defined contribution plans and other postretirement benefit costs.

	Other Benefits Expense			
	Three Months Ended July 31		Nine Months Ended July 31	
Millions of dollars	**2005**	2004	**2005**	2004
Service costs for benefits earned during the period	**$ 4**	$ 3	**$ 13**	$ 10
Interest on obligation	**36**	34	**108**	105
Amortization of cumulative losses	**15**	10	**45**	31
Other	**-**	(1)	**-**	3
Less expected return on assets	**(13)**	(14)	**(40)**	(41)
Net other benefits expense	**$ 42**	$ 32	**$ 126**	$ 108

Employer Contributions

The company previously disclosed in its financial statements for the year ended October 31, 2004 that it expected to contribute approximately $20 million to its pension plans in 2005. Current expectations regarding 2005 pension plan contributions have not changed since that time. As of July 31, 2005, $15 million of contributions have been made to the company’s qualified pension plans.

The company also makes contributions to partially fund retiree healthcare benefits. As of July 31, 2005, $4 million of contributions have been made to the company’s retiree healthcare plans and the company anticipates contributing an additional $2 million in 2005 for a total contribution of $6 million.

Note E. Income Taxes

The Statement of Income reflects tax expense which primarily reduces the cumulative benefit of NOL carryforwards currently recognized as a deferred tax asset, net of valuation allowances, in the Statement of Financial Condition. Cash payment of income taxes may be required for certain state income, foreign income and withholding and federal alternative minimum taxes. Until the company has utilized its significant NOL carryforwards, the cash payment of United States (U.S.) federal and state income taxes will be minimal.

Note F. Inventories

Inventories are as follows:

Millions of dollars	**July 31 2005**	October 31 2004	July 31 2004
Finished products	**$ 675**	$ 505	$ 539
Work in process	**57**	47	69
Raw materials and supplies	**332**	238	248
Total inventories	**$ 1,064**	$ 790	$ 856

Note G. Sales of Receivables

Navistar Financial Corporation's (NFC) 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 an ownership interest in the equipment associated with leases and a security interest in equipment associated with wholesale notes and retail notes.

The following table summarizes NFC's sale of retail notes and leases for the three months and nine months ended July 31, 2005 and 2004, in millions of dollars.

	Three Months Ended July 31		**Nine Months Ended July 31**	
	2005	2004	**2005**	2004
Sales of retail receivables	**$ 385**	$ 325	**$ 1,559**	$ 1,120
Gain on sales of retail receivables	**3**	3	**14**	26

Note H. Debt

In March 2005, the company sold $400 million in Senior Notes due 2012 (original notes). The original notes were sold in a Rule 144A and Regulation S private unregistered offering and were priced to yield 6.25%. In June 2005, the company offered to exchange these original notes for a like amount of the company's new 6.25%, Series B, Senior Notes due 2012 (exchange notes). The exchange notes were registered under the Securities Act. The terms of the exchange notes issued in the exchange offer are substantially identical to the original notes, except that the transfer restrictions and registration rights provisions relating to the original notes will not apply to the exchange notes. The exchange notes are guaranteed on a senior unsecured basis by the company's principal operating subsidiary, International Truck and Engine Corporation. The exchange notes are the company's senior unsecured obligation and rank in right of payment behind all of the company's future secured debt and equally in right of payment to all of the company's existing and future senior unsecured debt. The company exchanged in excess of 99.9% of the original notes for the exchange notes when the exchange offer expired on July 27, 2005.

In the third quarter of fiscal 2005, NFC refinanced its $820 million revolving credit facility which was going to become due in December 2005 with a new $1,200 million revolving credit facility that becomes due in December 2010. Likewise, one of NFC's related affiliates, Truck Retail Installment Paper Corporation (TRIP), entered into a new revolving retail facility with a capacity of $500 million that will expire in June 2010, to replace the $500 million facility that will expire in August 2005.

In July 2005, the company repurchased $18 million of its 4.75% Subordinated Exchangeable Notes due 2009 and $7 million of its 9.375% Senior Notes due 2006. The effect of these repurchases on operating income was negligible. The repurchase of the 4.75% Subordinated Exchangeable Notes due 2009 reduced the number of shares included in the calculation of diluted earnings per share, beginning in July, by approximately 323,000 shares.

Note I. Restructuring and Other Non-recurring Charges

Restructuring Charges

In 2000 and 2002, the company's board of directors approved separate plans to restructure its manufacturing and corporate operations. The company incurred charges for severance and other benefits, curtailment losses, lease terminations, asset and inventory write-downs and other exit costs relating to these plans. The following are the major restructuring, integration and cost reduction initiatives originally included in the 2000 and 2002 Plans of Restructuring (Plans of Restructuring):

- Replacement of steel cab trucks with a new line of High Performance Vehicles (HPV) and a concurrent realignment of the company's truck manufacturing facilities
- Launch of the next generation technology diesel engines (NGD)
- Consolidation of corporate operations
- Realignment of the bus and truck dealership network and termination of various dealerships' contracts
- Closure of certain facilities and operations and exit of certain activities including the Chatham, Ontario heavy truck assembly facility, the Springfield, Ohio body plant and a manufacturing production line within one of the company's plants
- Offer of early retirement and voluntary severance programs to certain union represented employees

The Plans of Restructuring originally called for a reduction in workforce of approximately 5,400 employees, primarily in North America, resulting in charges totaling $169 million. The decision, in 2003, to keep open the Chatham facility along with changes in staffing requirements at other manufacturing facilities lowered the total number of employee reductions to 4,200. The change in expected employee reductions along with an evaluation of the severance reserves related to the HPV and NGD product programs resulted in a net reversal to the previously recorded severance and other benefits reserves totaling $50 million.

A curtailment loss of $157 million was recorded in 2002 relating to the company's postretirement plans. This loss was the result of an early retirement program for represented employees at the company's Springfield and Indianapolis plants and the planned closure of the Chatham facility. Subsequently, the decision to keep open the Chatham facility, the offer of an early retirement and voluntary severance program to certain employees at the Chatham facility, and the completion of the sign-up period for the early retirement window program offered to certain eligible, long serviced UAW employees, resulted in a net reduction of $3 million to the previously recorded curtailment loss. The curtailment liability has been classified as a postretirement benefits liability on the Statement of Financial Condition.

Lease termination charges include estimated lease costs, net of probable sublease income, under long-term non-cancelable lease agreements. These charges primarily relate to the lease at the company's previous corporate office in Chicago, Illinois, which expires in 2010.

Dealer termination costs include the termination of certain dealer contracts in connection with the realignment of the company's bus distribution network. Other exit costs include contractually obligated exit and closure costs associated with facility closures and an accrual for the loss on sale of Harco National Insurance Company. As of July 31, 2005, $54 million of the total net charge of $66 million has been incurred.

Note I. Restructuring and Other Non-recurring Charges (continued)

Other Non-Recurring Charges

In October 2002, Ford Motor Company (Ford) advised the company that its current business case for a V-6 diesel engine in the specified vehicles was not viable and discontinued its program for the use of these engines. Accordingly, the company recorded charges of $170 million for the write-off of deferred pre-production costs, the write-down of fixed assets that were abandoned, lease obligations under non-cancelable operating leases, and accruals for amounts contractually owed to suppliers. In 2003, the company recorded an adjustment of $11 million for additional amounts contractually owed to suppliers related to the V-6 diesel engine program. In April 2003, the company reached a comprehensive agreement with Ford concerning the termination of its V-6 diesel engine program. The terms of the agreement include compensation to neutralize certain current and future V-6 diesel engine program related costs not accrued for as part of the 2002 non-recurring charge, resolution of ongoing pricing related to the company's V-8 diesel engine program and a release by the parties of all of their obligations under the V-6 diesel engine contract. The company, under current agreements, will continue as Ford's exclusive supplier of V-8 diesel engines through 2012. The agreement with Ford does not have a material net impact on the Statement of Financial Condition or the Statement of Income for the periods covered in this report.

Summary

Through July 31, 2005, the company has recorded cumulative charges of $818 million relating to the Plans of Restructuring and other non-recurring charges.

The remaining components of the company's Plans of Restructuring and other non-recurring charges are shown in the following table.

Millions of dollars	Balance October 31 2004	Amount Incurred	**Balance July 31 2005**
Lease terminations	$ 21	$ (4)	**$ 17**
Dealer terminations and other charges	12	-	**12**
Other non-recurring charges	64	(7)	**57**
Total	$ 97	$ (11)	**$ 86**

The remaining liability of $86 million is expected to be funded from existing cash balances and internally generated cash flows from operations. The total cash outlay for the remainder of 2005 is expected to be $4 million with the remaining obligation of $82 million, primarily related to non-recurring charges and long-term non-cancelable lease agreements, to be settled in 2006 and beyond.

The company is in the process of completing certain aspects of the Plans of Restructuring and will continue to evaluate the remaining restructuring reserves as the plans are executed. As a result, there may be additional adjustments to the reserves noted above. Since the company-wide restructuring plans are an aggregation of many individual components requiring judgments and estimates, actual costs have differed from estimated amounts.

Note J. Financial Instruments

The company uses derivative financial instruments as part of its overall interest rate and foreign currency risk management strategy.

The financial services operations manage exposure to fluctuations in interest rates by limiting the amount of fixed rate assets funded with variable rate debt. This is accomplished by selling fixed rate receivables on a fixed rate basis and by utilizing derivative financial instruments. These derivative financial instruments may include interest rate swaps, interest rate caps and forward contracts. The fair value of these instruments is estimated based on quoted market prices and is subject to market risk as the instruments may become less valuable due to changes in market conditions or interest rates. NFC manages exposure to counter-party credit risk by entering into derivative financial instruments with major financial institutions that can be expected to fully perform under the terms of such agreements. NFC does not require collateral or other security to support derivative financial instruments with credit risk.

NFC's counter-party credit exposure is limited to the positive fair value of contracts at the reporting date. As of July 31, 2005, NFC's derivative financial instruments had a positive net fair value. Notional amounts of derivative financial instruments do not represent exposure to credit loss.

At July 31, 2005, the notional amounts and fair values of the company's derivative financial instruments are presented in the following table, in millions of dollars. The fair values of all these derivative financial instruments are recorded in other assets or other liabilities on the Statement of Financial Condition.

Inception Date	Maturity Date	Derivative Type	Notional Amount	Fair Value
October 2003 – April 2005	April 2008 – September 2009	Interest rate swaps*	$ 16	$ -
July 2001 – June 2004	April 2006 – June 2011	Interest rate swaps	929	1
October 2000 – September 2001	October 2009 – November 2012	Interest rate caps	2,065	-

*Accounted for as non-hedging instruments.

Note K. Guarantees

The company and its subsidiaries occasionally provide guarantees that could obligate them to make future payments if the primary entity fails to perform under its contractual obligations. The company has not recorded a liability for these guarantees. The company has no recourse as guarantor in case of default.

International provides a full and unconditional guarantee on the $400 million 9.375% Senior Notes due 2006, the $250 million 7.5% Senior Notes due 2011, the $400 million 6.25% Senior Notes due 2012 and the $190 million 2.5% Senior Convertible Notes due 2007. NIC also provides a guarantee on the $19 million 9.95% Senior Notes due 2011. As of July 31, 2005, the outstanding balance on the 9.95% Senior Notes and the 9.375% Senior Notes was $13 million and $393 million, respectively.

NIC and International are obligated under certain agreements with public and private lenders of NFC to maintain the subsidiary's income before interest expense and income taxes at not less than 125% of its total interest expense. No income maintenance payments were required for the nine months ended July 31, 2005.

NIC guarantees lines of credit made available to its Mexican finance subsidiaries by third parties and NFC. NFC guarantees the borrowings of the Mexican finance subsidiaries. The following table summarizes the borrowings as of July 31, 2005, in millions of dollars.

Entity	Amount of Guaranty	Outstanding Balance	Maturity dates extend to
NIC	$ 393 (1)	$ 99	2010
NFC	145	127	2010
NIC and NFC	100	10	2010

(1) Included in this amount is $260 million of un-drawn guarantees. Pursuant to an intercompany guarantee made by NIC in favor of NFC, NIC has agreed to guarantee, either directly to third party banks or indirectly through NFC, an un-drawn amount of $260 million.

The company also guarantees many of the operating leases of its operating subsidiaries. The leases have various expiration dates that extend through June 2014. The remaining maximum obligation under these leases as of July 31, 2005, totaled approximately $495 million.

The company and International also guarantee real estate operating leases of International and of the subsidiaries of the company. The leases have various maturity dates extending through 2019. As of July 31, 2005, the total remaining obligation under these leases is approximately $43 million.

The company and NFC have issued residual value guarantees in connection with various operating leases. The amount of the guarantees is undeterminable because in some instances, neither the company nor NFC is responsible for the entire amount of the guaranteed lease residual. The company's and NFC's guarantees are contingent upon the fair value of the leased assets at the end of the lease term. The difference between this fair value and the guaranteed lease residual represents the amount of the company's and NFC's exposure.

Note K. Guarantees (continued)

As of July 31, 2005, NFC had guaranteed derivative contracts for interest rate swaps and cross currency swaps related to two of the company's Mexican finance subsidiaries. NFC is liable up to the fair market value of these derivative contracts only in cases of default by the two Mexican finance subsidiaries. As of July 31, 2005, there was an outstanding notional balance of $59 million related to interest rate swaps and cross currency swaps, and the fair market value of the outstanding balance was immaterial.

At July 31, 2005, the company's Canadian operating subsidiary was contingently liable for $513 million of retail customers' contracts and $26 million of retail leases that are financed by a third party. The Canadian operating subsidiary is responsible for the residual values of these financing arrangements. These contract amounts approximate the resale market value of the collateral underlying the note liabilities.

In addition, the company entered into various guarantees for purchase commitments, insurance loss reserves, credit guarantees and buyback programs with various expiration dates that total approximately $87 million. In the ordinary course of business, the company also provides routine indemnifications and other guarantees whose terms range in duration and often are not explicitly defined. The company does not believe these will have a material impact on the results of operations or financial condition of the company.

Product Warranty

Provisions for estimated expenses related to product warranty are made at the time products are sold. These estimates are established using historical information about the nature, frequency and average cost of warranty claims. Management actively studies trends of warranty claims and takes action to improve vehicle quality and minimize warranty claims. Management believes that the warranty reserve is appropriate; however, actual claims incurred could differ from the original estimates, requiring adjustments to the reserve.

Changes in the product warranty accrual for the nine months ended July 31, 2005, were as follows:

Millions of dollars	
Balance, beginning of period	$ 286
Change in liability for warranties issued during the period	171
Change in liability for pre-existing warranties	20
Payments made	(199)
Balance, end of period	$ 278

Note L. Legal Proceedings and Environmental Matters

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. The majority of these claims and proceedings relate to commercial, product liability and warranty matters. In the opinion of the company's management, the disposition of these proceedings and claims, including those discussed below, after taking into account established reserves and the availability and limits of the company's insurance coverage, will not have a material adverse effect on the business or the financial results of the company.

The company has been named a potentially responsible party (PRP), in conjunction with other parties, in a number of cases arising under an environmental protection law, the Comprehensive Environmental Response, Compensation and Liability Act, popularly known as the Superfund law. These cases involve sites that allegedly received wastes from current or former company locations. Based on information available to the company which, in most cases, consists of data related to quantities and characteristics of material generated at current or former

Note L. Legal Proceedings and Environmental Matters (continued)

company locations, material allegedly shipped by the company to these disposal sites, as well as cost estimates from PRPs and/or federal or state regulatory agencies for the cleanup of these sites, a reasonable estimate is calculated of the company's share, if any, of the probable costs and is provided for in the financial statements. These obligations are generally recognized no later than completion of the remedial feasibility study and are not discounted to their present value. The company reviews all accruals on a regular basis and believes that, based on these calculations, its share of the potential additional costs for the cleanup of each site will not have a material effect on the company's financial results.

Two sites formerly owned by the company, Wisconsin Steel in Chicago, Illinois and Solar Turbines in San Diego, California, were identified as having soil and groundwater contamination. While investigations and cleanup activities continue at both sites, the company anticipates that all necessary costs to complete the cleanup have been adequately reserved.

In December 2003, the United States Environmental Protection Agency (US EPA) issued a Notice of Violation to the company in conjunction with the operation of its engine casting facility in Indianapolis, Indiana. Specifically, the US EPA alleged that the company violated applicable environmental regulations by failing to obtain the necessary permit in connection with the construction of certain equipment and complying with the best available control technology for emissions from such equipment. The company is currently in discussions with the US EPA and believes that its discussions will result in capital improvements together with monetary sanctions which will not be material.

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, Illinois, 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. After a trial, 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 appealed the adverse judgment, and the jury’s verdict was reversed by the appellate court on October 28, 2004 and remanded to the district court for retrial. The company is cooperating with Sturman in this effort. In May 2003, in Federal Court in Columbia, South Carolina, Caterpillar sued the company, its supplier of fuel injectors and joint venture, Siemens Diesel Systems Technology, L.L.C., and Sturman for patent infringement alleging that the Sturman fuel system technology patents and certain Caterpillar patents are infringed in the company’s new engines. The company believes that it has meritorious defenses to the claims of infringement of the Sturman patents as well as the Caterpillar patents and will vigorously defend such claims. In January 2002, Caterpillar sued the company in the Circuit Court in Peoria County, Illinois, alleging the company breached the purchase agreement pursuant to which Caterpillar supplied fuel systems for the company’s prior version of diesel engines. Caterpillar’s claims involve a 1990 agreement to reimburse Caterpillar for costs associated with the delayed launch of the company’s V-8 diesel engine program. Reimbursement of the delay costs was made by a surcharge of $8.08 on each injector purchased and the purchase of certain minimum quantities of spare parts. In 1999, the company concluded that, in accordance with the 1990 agreement, it had fully reimbursed Caterpillar for its delay costs and stopped paying the surcharge and purchasing the minimum quantities of spare parts. Caterpillar is asserting that the surcharge and the spare parts purchase requirements continue throughout the life of the contract and has sued the company to recover these amounts, plus interest. Caterpillar also asserts that the company failed to purchase all of its fuel injector requirements under the contract and, in collusion with Sturman, failed to pursue a future fuel systems supply relationship with Caterpillar. The company believes that it has meritorious defenses to Caterpillar’s claims.

Along with other vehicle manufacturers, the company and certain of its subsidiaries have been subject to an increase in the number of asbestos-related claims in recent years. Management believes that such claims will not have a material adverse affect on the company’s financial results. In general these claims relate to illnesses alleged to have resulted from asbestos exposure from component parts found in older vehicles, although some cases relate to the presence of asbestos in company facilities. In these claims the company is not the sole defendant, and the claims name as defendants numerous manufacturers and suppliers of a wide variety of products allegedly containing asbestos. Management has strongly disputed these claims, and it has been the

Note L. Legal Proceedings and Environmental Matters (continued)

company's policy to defend against them vigorously. Historically, the actual damages paid out to claimants have not been material to the company's results of operations and financial condition. However, management believes the company and other vehicle manufacturers are being more aggressively targeted, largely as a result of bankruptcies of manufacturers of asbestos and products containing asbestos. It is possible that the number of these claims will continue to grow, and that the costs for resolving asbestos related claims could become significant in the future.

On October 13, 2004, the company received a request from the staff of the Securities and Exchange Commission (SEC) to voluntarily produce certain documents and information related to the company's accounting practices with respect to defined benefit pension plans and other postretirement benefits. The company is fully cooperating with this request. Based on the status of the inquiry, the company is not able to predict the final outcome.

On January 31, 2005, the company announced that it would restate its financial results for fiscal years 2002 and 2003 and the first three quarters of fiscal 2004. The SEC notified the company on February 9, 2005, that it was conducting an informal inquiry into the company's restatement. On March 17, 2005, the company was advised by the SEC that the status of the inquiry had been changed to a formal investigation. The company is fully cooperating with the SEC on this investigation. Based on the status of the investigation, the company is not able to predict the final outcome.

Note M. Segment Data

Reportable operating segment data is as follows:

Millions of dollars	Truck	Engine	Financial Services	Total
	For the quarter ended July 31, 2005			
External revenues	**$ 2,211**	**$ 712**	**$ 65**	**$ 2,988**
Intersegment revenues	**-**	**181**	**16**	**197**
Total revenues	**$ 2,211**	**$ 893**	**$ 81**	**$ 3,185**
Segment profit	**$ 113**	**$ 13**	**$ 26**	**$ 152**
	For the nine months ended July 31, 2005			
External revenues	**$ 6,355**	**$ 1,963**	**$ 190**	**$ 8,508**
Intersegment revenues	**-**	**515**	**44**	**559**
Total revenues	**$ 6,355**	**$ 2,478**	**$ 234**	**$ 9,067**
Segment profit	**$ 262**	**$ 9**	**$ 88**	**$ 359**
	As of July 31, 2005			
Segment assets	**$ 2,173**	**$ 1,564**	**$ 2,827**	**$ 6,564**
	For the quarter ended July 31, 2004			
External revenues	$ 1,789	$ 504	$ 56	$ 2,349
Intersegment revenues	-	159	10	169
Total revenues	$ 1,789	$ 663	$ 66	$ 2,518
Segment profit	$ 85	$ 34	$ 26	$ 145
	For the nine months ended July 31, 2004			
External revenues	$ 4,936	$ 1,521	$ 185	$ 6,642
Intersegment revenues	-	440	29	469
Total revenues	$ 4,936	$ 1,961	$ 214	$ 7,111
Segment profit	$ 164	$ 71	$ 86	$ 321
	As of July 31, 2004			
Segment assets	$ 1,781	$ 1,091	$ 2,153	$ 5,025

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

Note M. Segment Data (continued)

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

	Three Months Ended July 31		Nine Months Ended July 31	
Millions of dollars	**2005**	2004	**2005**	2004
Segment sales and revenues	**$ 3,185**	$ 2,518	**$ 9,067**	$ 7,111
Other income	**6**	-	**14**	5
Intercompany	**(197)**	(169)	**(559)**	(469)
Consolidated sales and revenues	**$ 2,994**	$ 2,349	**$ 8,522**	$ 6,647
Segment profit	**$ 152**	$ 145	**$ 359**	$ 321
Restructuring adjustment	**-**	5	**-**	1
Corporate items	**(38)**	(51)	**(109)**	(146)
Manufacturing net interest expense	**(17)**	(17)	**(45)**	(42)
Consolidated pre-tax income	**$ 97**	$ 82	**$ 205**	$ 134
Segment assets	**$ 6,564**	$ 5,025		
Cash and marketable securities	**634**	281		
Deferred taxes	**1,435**	1,442		
Corporate intangible pension assets	**1**	3		
Other corporate and eliminations	**133**	168		
Consolidated assets	**$ 8,767**	$ 6,919		

Note N. Comprehensive Income

The components of comprehensive income are as follows:

	Three Months Ended July 31		Nine Months Ended July 31	
Millions of dollars	**2005**	2004	**2005**	2004
Net income	**$ 64**	$ 50	**$ 135**	$ 88
Other comprehensive income (loss)	**13**	(8)	**33**	(4)
Total comprehensive income	**$ 77**	$ 42	**$ 168**	$ 84

Note O. Earnings Per Share

Earnings per share was computed as follows:

Millions of dollars, except share and per share data	Three Months Ended July 31 **2005**	Three Months Ended July 31 2004	Nine Months Ended July 31 **2005**	Nine Months Ended July 31 2004
Net income	**$ 64**	$ 50	**$ 135**	$ 88
Add: Interest expense on 2.5% senior convertible and 4.75% subordinated exchangeable debt for dilutive purposes (net of tax)	**2**	3	**7**	7
Net income available to common shareholders plus assumed conversions	**$ 66**	$ 53	**$ 142**	$ 95
Average shares outstanding (millions)				
Basic	**70.1**	69.9	**70.1**	69.6
Convertible debt	**9.5**	9.5	**9.5**	9.5
Stock options	**0.3**	0.6	**0.5**	1.1
Diluted	**79.9**	80.0	**80.1**	80.2
Earnings per share				
Basic	**$ 0.91**	$ 0.72	**$ 1.93**	$ 1.27
Diluted	**$ 0.83**	$ 0.66	**$ 1.78**	$ 1.19

Slight changes within the diluted shares outstanding are the result of an increase or decrease in the amount of exercisable employee stock options which are affected by fluctuations in the company's stock price.

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

The following tables set forth the condensed consolidating Statements of Financial Condition as of July 31, 2005 and 2004, and the Statements of Income and Cash Flow for the nine months ended July 31, 2005 and 2004. The following information is included as a result of International's guarantees, exclusive of its subsidiaries, of NIC's indebtedness under its 9.375% Senior Notes due 2006, 2.5% Senior Convertible Notes due 2007, 7.5% Senior Notes due 2011 and 6.25% Senior Notes due 2012. International is a direct wholly owned subsidiary of NIC. 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 that 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 the parent company, rather than International, to utilize U.S. operating income/losses and NIC operating loss carryforwards.

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

Millions of dollars	NIC	International	Non-Guarantor Companies and Eliminations	Consolidated
CONDENSED CONSOLIDATING STATEMENT OF INCOME FOR THE NINE MONTHS ENDED JULY 31, 2005				
Sales and revenues	$ 8	$ 6,402	$ 2,112	$ 8,522
Cost of products and services sold	5	5,964	1,180	7,149
All other operating expenses	(25)	842	351	1,168
Total costs and expenses	(20)	6,806	1,531	8,317
Equity in income (loss) of non-consolidated subsidiaries	177	464	(641)	-
Income (loss) before income taxes	205	60	(60)	205
Income tax expense (benefit)	70	61	(61)	70
Net income (loss)	$ 135	$ (1)	$ 1	$ 135
CONDENSED CONSOLIDATING STATEMENT OF FINANCIAL CONDITION AS OF JULY 31, 2005				
Assets				
Cash and marketable securities	$ 552	$ 9	$ 1,274	$ 1,835
Receivables, net	1	239	1,830	2,070
Inventories	-	486	578	1,064
Property and equipment, net	-	719	814	1,533
Investment in affiliates	(2,562)	1,752	810	-
Deferred tax asset and other assets	1,391	238	636	2,265
Total assets	$ (618)	$ 3,443	$ 5,942	$ 8,767
Liabilities and shareowners' equity				
Debt	$ 1,459	$ 13	$ 2,418	$ 3,890
Postretirement benefits liability	-	1,369	238	1,607
Amounts due to (from) affiliates	(2,866)	3,692	(826)	-
Other liabilities	101	1,453	1,028	2,582
Total liabilities	(1,306)	6,527	2,858	8,079
Shareowners' equity (deficit)	688	(3,084)	3,084	688
Total liabilities and shareowners' equity	$ (618)	$ 3,443	$ 5,942	$ 8,767
CONDENSED CONSOLIDATING STATEMENT OF CASH FLOW FOR THE NINE MONTHS ENDED JULY 31, 2005				
Cash provided by (used in) operating activities	$ (426)	$ 162	$ 350	$ 86
Cash flow from investment programs				
Purchases, net of collections, of finance receivables	-	-	297	297
Net decrease in marketable securities	(20)	-	(968)	(988)
Capital expenditures	-	(41)	(66)	(107)
Other investing activities	(7)	(216)	(68)	(291)
Cash used in investment programs	(27)	(257)	(805)	(1,089)
Cash flow from financing activities				
Net borrowing (repayments) of debt	401	(2)	599	998
Other financing activities	3	79	(89)	(7)
Cash provided by financing activities	404	77	510	991
Cash and cash equivalents				
Increase (decrease) during the period	(49)	(18)	55	(12)
At beginning of the period	406	22	177	605
Cash and cash equivalents at end of the period	$ 357	$ 4	$ 232	$ 593

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

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

Millions of dollars	NIC	International	Non-Guarantor Companies and Eliminations	Consolidated
CONDENSED CONSOLIDATING STATEMENT OF INCOME FOR THE NINE MONTHS ENDED JULY 31, 2004				
Sales and revenues	$ 1	$ 5,132	$ 1,514	$ 6,647
Cost of products and services sold	(31)	4,709	904	5,582
Restructuring and other non-recurring charges	-	(4)	3	(1)
All other operating expenses	(12)	701	243	932
Total costs and expenses	(43)	5,406	1,150	6,513
Equity in income (loss) of non-consolidated subsidiaries	90	258	(348)	-
Income (loss) before income taxes	134	(16)	16	134
Income tax expense (benefit)	46	27	(27)	46
Net income (loss)	$ 88	$ (43)	$ 43	$ 88

Millions of dollars	NIC	International	Non-Guarantor Companies and Eliminations	Consolidated
CONDENSED CONSOLIDATING STATEMENT OF FINANCIAL CONDITION AS OF JULY 31, 2004				
Assets				
Cash and marketable securities	$ 166	$ 14	$ 728	$ 908
Receivables, net	1	138	1,589	1,728
Inventories	-	421	435	856
Property and equipment, net	-	761	644	1,405
Investment in affiliates	(2,741)	989	1,752	-
Deferred tax asset and other assets	1,462	211	349	2,022
Total assets	$ (1,112)	$ 2,534	$ 5,497	$ 6,919
Liabilities and shareowners' equity				
Debt	$ 1,058	$ 15	$ 1,719	$ 2,792
Postretirement benefits liability	-	1,348	208	1,556
Amounts due to (from) affiliates	(2,633)	3,063	(430)	-
Other liabilities	96	1,326	782	2,204
Total liabilities	(1,479)	5,752	2,279	6,552
Shareowners' equity (deficit)	367	(3,218)	3,218	367
Total liabilities and shareowners' equity	$ (1,112)	$ 2,534	$ 5,497	$ 6,919

Millions of dollars	NIC	International	Non-Guarantor Companies and Eliminations	Consolidated
CONDENSED CONSOLIDATING STATEMENT OF CASH FLOW FOR THE NINE MONTHS ENDED JULY 31, 2004				
Cash provided by (used in) operating activities	$ (275)	$ (19)	$ 58	$ (236)
Cash flow from investment programs				
Purchases, net of collections, of finance receivables	-	-	168	168
Net increase in marketable securities	22	-	144	166
Capital expenditures	-	(72)	(31)	(103)
Other investing activities	-	55	(68)	(13)
Cash provided by (used in) investment programs	22	(17)	213	218
Cash flow from financing activities				
Net borrowing (repayment) of debt	218	(2)	(211)	5
Other financing activities	(17)	31	10	24
Cash provided by (used in) financing activities	201	29	(201)	29
Cash and cash equivalents				
Increase (decrease) during the period	(52)	(7)	70	11
At beginning of the period	218	21	228	467
Cash and cash equivalents at end of the period	$ 166	$ 14	$ 298	$ 478

Note Q: Restatement of Prior Period Financial Statements

In December 2004, NFC determined that it would restate its consolidated financial statements for the first three quarters of fiscal 2004 and the fiscal years ended October 31, 2003 and 2002 due to certain misapplications of GAAP. The primary area where it was determined that GAAP was incorrectly applied was in the accounting for retail note securitizations. As a result of NFC's restatement, the company concluded that it was necessary to restate its financial statements for the same periods. In the course of preparing the restatement of its consolidated financial statements, the company determined that it was appropriate to make other adjustments as well. These adjustments were primarily related to trade payables at the company's Mexican truck assembly facility, accruals relating to employee plans and the consolidation of majority owned truck dealerships. In the restatement of the first three quarters of fiscal 2004 and the fiscal years ended October 31, 2003 and 2002 adjustments were recorded to properly reflect stock option exercises satisfied using treasury stock at average cost, as opposed to fair market value. This adjustment resulted in a reclassification between common stock held in treasury and retained earnings (deficit) on the Statement of Financial Condition but had no effect on total shareowners' equity.

The significant effects of the restatements on the consolidated financial statements for the three months and nine months ended July 31, 2004, primarily due to the consolidation of majority owned truck dealerships and the accounting for retail note securitizations at NFC, are included below. The amounts shown below have minor differences to the unaudited Selected Quarterly Financial Data disclosed in Note 22 to the company's Annual Report on Form 10-K. The changes represent timing within the quarters and do not change year-end amounts.

	Navistar International Corporation and Consolidated Subsidiaries			
STATEMENT OF INCOME	**Three Months Ended July 31, 2004**		**Nine Months Ended July 31, 2004**	
Millions of dollars	As Previously Reported	**As Restated**	As Previously Reported [1]	**As Restated**
Sales and revenues				
Sales of manufactured products	$ 2,301	**$ 2,294**	$ 6,362	**$ 6,456**
Finance revenue	59	**55**	179	**182**
Other income	-	**-**	9	**9**
Total sales and revenues	2,360	**2,349**	6,550	**6,647**
Costs and expenses				
Cost of products and services sold	1,984	**1,953**	5,563	**5,582**
Restructuring and other non-recurring charges	(5)	**(5)**	(1)	**(1)**
Postretirement benefits expense	46	**43**	165	**162**
Engineering and research expense	66	**66**	181	**181**
Selling, general and administrative expense	151	**174**	405	**473**
Interest expense	29	**31**	90	**96**
Other expense	4	**5**	20	**20**
Total costs and expenses	2,275	**2,267**	6,423	**6,513**
Income before income taxes	85	**82**	127	**134**
Income tax expense	29	**32**	39	**46**
Net income	$ 56	**$ 50**	$ 88	**$ 88**
Earnings per share				
Basic	$ 0.80	**$ 0.72**	$ 1.27	**$ 1.27**
Diluted	$ 0.73	**$ 0.66**	$ 1.19	**$ 1.19**
Average shares outstanding (millions)				
Basic	69.9	**69.9**	69.6	**69.6**
Diluted	80.0	**80.0**	80.2	**80.2**

[1] In addition to the adjustments noted above, pre-third quarter results were adjusted to reflect the retroactive impact of adopting FSP 106-2, Accounting and Disclosure Requirements Related to the Medicare and Prescription Drug Act of 2003, in the third quarter of fiscal 2004.

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

Note Q: Restatement of Prior Period Financial Statements (continued)

STATEMENT OF FINANCIAL CONDITION Millions of dollars	Navistar International Corporation and Consolidated Subsidiaries As of July 31, 2004 As Previously Reported	**As Restated**
ASSETS		
Current assets		
Cash and cash equivalents	$ 473	**$ 478**
Marketable securities	6	**6**
Receivables, net	749	**850**
Inventories	787	**856**
Deferred tax asset, net	152	**152**
Other assets	186	**183**
Total current assets	2,353	**2,525**
Marketable securities	424	**424**
Finance and other receivables, net	878	**878**
Property and equipment, net	1,333	**1,405**
Investments and other assets	348	**327**
Prepaid and intangible pension assets	70	**70**
Deferred tax asset, net	1,466	**1,290**
Total assets	$ 6,872	**$ 6,919**
LIABILITIES AND SHAREOWNERS' EQUITY		
Liabilities		
Current liabilities		
Notes payable and current maturities of long-term debt	$ 259	**$ 271**
Accounts payable, principally trade	1,134	**1,161**
Other liabilities	856	**844**
Total current liabilities	2,249	**2,276**
Debt: Manufacturing operations	1,071	**1,268**
Financial services operations	1,253	**1,253**
Postretirement benefits liability	1,391	**1,391**
Other liabilities	517	**364**
Total liabilities	6,481	**6,552**
Commitments and contingencies		
Shareowners' equity		
Series D convertible junior preference stock	4	**4**
Common stock and additional paid in capital (75.3 million shares issued)	2,087	**2,087**
Retained earnings (deficit)	(770)	**(762)**
Accumulated other comprehensive loss	(784)	**(782)**
Common stock held in treasury, at cost (5.5 million shares held)	(146)	**(180)**
Total shareowners' equity	391	**367**
Total liabilities and shareowners' equity	$ 6,872	**$ 6,919**

Note R. Subsequent Events

On August 22, 2005, the company announced that its operating company, International Truck and Engine Corporation, finalized its all-cash agreement to acquire Workhorse Custom Chassis (Workhorse) and Uptime Parts. Workhorse is a leading U.S. manufacturer of chassis for motor homes and commercial step-van vehicles. Workhorse operations, which produced more than 18,000 chassis in 2004, are carried out at a 209,000 square-foot state-of-the-art facility in Union City, IN. Uptime Parts, headquartered in West Chicago, IL, is a U.S. parts distribution network that supplies commercial fleets and RV dealers. The acquired companies had combined sales of $480 million in calendar year 2004. The acquisition supports the company's overall growth strategy by strategically investing in businesses that are in growing markets. The operating synergies between Workhorse and International's products, along with International's diesel competencies and engine portfolio, should allow the combined companies to offer a more complete line of products to existing customers.

On August 1, 2005 and August 5, 2005 the company canceled the fixed-for-floating interest rate swap agreements on the 7.50% $250 million fixed rate notes. The swaps reduced the company’s interest expense by $7 million since their inception in June 2004. The swaps had a negative fair value at the date of cancellation of less than $1 million.

Navistar International Corporation and Consolidated Subsidiaries

Additional Financial Information (Unaudited)

The following additional financial information is provided based upon the continuing interest of certain shareowners and creditors to assist them in understanding our core manufacturing business. The financial information for fiscal 2004 has been restated in connection with the events mentioned in Note Q to the Financial Statements.

Navistar International Corporation (with financial services operations on an equity basis)

Condensed Statement of Income Millions of dollars	**Three Months Ended July 31** **2005**	2004 As Restated	**Nine Months Ended July 31** **2005**	2004 As Restated
Sales of manufactured products	**$ 2,923**	$ 2,292	**$ 8,318**	$ 6,456
Other income	**6**	-	**14**	5
Total sales and revenues	**2,929**	2,292	**8,332**	6,461
Cost of products sold	**2,465**	1,942	**7,120**	5,545
Restructuring and other non-recurring charges	**-**	(5)	**-**	(1)
Postretirement benefits expense	**58**	42	**175**	160
Engineering and research expense	**91**	66	**254**	181
Selling, general and administrative expense	**191**	161	**532**	432
Other expense	**54**	31	**135**	99
Total costs and expenses	**2,859**	2,237	**8,216**	6,416
Income before income taxes:				
Manufacturing operations	**70**	55	**116**	45
Financial services operations	**27**	27	**89**	89
Income before income taxes	**97**	82	**205**	134
Income tax expense	**33**	32	**70**	46
Net income	**$ 64**	$ 50	**$ 135**	$ 88

Condensed Statement of Financial Condition Millions of dollars	**July 31 2005**	October 31 2004	July 31 2004 As Restated
Cash, cash equivalents and marketable securities	**$ 731**	$ 737	$ 371
Inventories	**1,053**	779	824
Property and equipment, net	**1,414**	1,283	1,233
Equity in non-consolidated subsidiaries	**604**	549	512
Other assets	**1,346**	1,129	926
Deferred tax asset, net	**1,433**	1,445	1,442
Total assets	**$ 6,581**	$ 5,922	$ 5,308
Accounts payable, principally trade	**$ 1,411**	$ 1,436	$ 1,175
Postretirement benefits liability	**1,584**	1,544	1,534
Debt	**1,803**	1,329	1,299
Other liabilities	**1,095**	1,082	933
Shareowners' equity	**688**	531	367
Total liabilities and shareowners' equity	**$ 6,581**	$ 5,922	$ 5,308

Navistar International Corporation and Consolidated Subsidiaries

Additional Financial Information (Unaudited)

Navistar International Corporation (with financial services operations on an equity basis)

Condensed Statement of Cash Flow Millions of dollars	**Nine Months Ended July 31** **2005**	 2004 As Restated
Cash flow from operating activities		
Net income	**$ 135**	$ 88
Adjustments to reconcile net income to cash provided by (used in) operating activities:		
Depreciation and amortization	**163**	136
Deferred income taxes	**9**	22
Postretirement benefits funding less than (in excess of) expense	**45**	(173)
Equity in earnings of investees, net of dividends received	**(54)**	(56)
Other, net	**(36)**	(95)
Change in operating assets and liabilities, net of effect of acquisitions	**(353)**	(137)
Cash used in operating activities	**(91)**	(215)
Cash flow from investment programs		
Purchases of marketable securities	**(712)**	(225)
Sales or maturities of marketable securities	**685**	302
Capital expenditures	**(105)**	(102)
Receivable from financial services operations	**65**	(13)
Investment in affiliates	**(228)**	(1)
Other investment programs	**(84)**	(14)
Cash used in investment programs	**(379)**	(53)
Cash provided by financing activities	**436**	195
Cash and cash equivalents		
Decrease during the period	**(34)**	(73)
At beginning of the period	**556**	444
Cash and cash equivalents at end of the period	**$ 522**	$ 371

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

Overview

Navistar International Corporation is a holding company and its principal operating subsidiary is International Truck and Engine Corporation (International). Navistar operates in three principal industry segments: truck, engine (collectively called "manufacturing operations") and financial services. The company's principal operations are located in the U.S., Canada, Mexico, and Brazil. In this discussion and analysis, "company", "Navistar", "we" or "our" refers to Navistar International Corporation and its consolidated subsidiaries.

The company is currently focused on four key areas: great products, delivering on our commitments, cost and growth. The company will focus on offering new products based on current product platforms while delivering on commitments to our customers as well as our shareowners. The company anticipates growth in the truck and engine segments through new products and new markets while continuing to focus on ways to improve the cost structure to help the company succeed in a competitive marketplace.

In the third quarter of 2005, the company remained focused on these key objectives. The company continued to deliver on its commitments by reporting a solid quarterly profit on sales and revenues of approximately $3 billion. Gross margin improved over the prior year, however, higher material costs continue to have a negative impact on margins. The company announced during the quarter that it entered into a joint venture with Mahindra & Mahindra of India to produce and market light, medium and heavy commercial vehicles in India and other export markets. This agreement is another step in the company's growth strategy. Furthering the company's growth strategy was the company's announcement that its operating company, International Truck and Engine Corporation, had entered into an agreement to acquire Workhorse Custom Chassis, a U.S. manufacturer of chassis for motor homes and commercial step-van vehicles and Uptime Parts, a U.S. parts distribution network that supplies commercial fleets and RV dealers. The acquisition would support the company's overall growth strategy by strategically investing in businesses that are in growing markets. The acquisition was not finalized as of the end of the third quarter and had no impact on the financial results presented within this discussion.

Restatement of Prior Period Financial Statements

The accompanying management's discussion and analysis gives effect to the restatement of the consolidated financial statements for the three and nine months ended July 31, 2004, as discussed in Note Q to the consolidated financial statements.

Results of Operations

The following table illustrates the key financial indicators that management uses to assess the consolidated financial results for the three months and nine months ended July 31, 2005 and 2004.

Key Financial Indicators:	**Three Months Ended July 31**		**Nine Months Ended July 31**	
(Millions of dollars, except per share data and margin)	**2005**	2004	**2005**	2004
Sales and revenues	**$ 2,994**	$ 2,349	**$ 8,522**	$ 6,647
Cost of products and services sold	**2,474**	1,953	**7,149**	5,582
Total expenses	**423**	314	**1,168**	931
Total costs and expenses	**2,897**	2,267	**8,317**	6,513
Net income	**$ 64**	$ 50	**$ 135**	$ 88
Diluted earnings per share	**$ 0.83**	$ 0.66	**$ 1.78**	$ 1.19
Manufacturing gross margin	**15.7%**	15.3%	**14.4%**	14.1%

Results of Operations (continued)

The company continued to improve earnings and sales and revenues over the comparable periods last year as a result of better operating results from the company's truck segment. These improved results were primarily due to higher sales volume and improved pricing. The events that impacted the performance of the company's three operating segments will be analyzed, in detail, later in this discussion.

Gross margin from manufacturing operations in the third quarter of 2005 was 15.7%, a slight improvement over the third quarter a year ago. Gross margin for the nine months ended also showed a slight improvement over the prior year. Improvements in pricing, performance and volumes were offset in part by higher material prices, incremental expenses associated with component supply issues and one-time charges associated with one of the company's foundry operations within the engine segment.

Over the comparable three-month period last year, total expenses increased $109 million as a result of higher expenses across all categories. Engineering expense increased $25 million due to costs associated with 2007 emissions compliance within the company's engine segment and costs associated with other development programs including the new LH truck program. Selling, general and administrative expense increased $36 million driven by the addition of wholly owned dealers and incremental spending within the truck and engine segments. Postretirement expense stayed consistent with prior 2005 fiscal quarters but was $16 million higher than last year. In addition to several smaller factors, the company realized less postretirement expense associated with the amortization of cumulative losses in the third quarter of 2004 when compared to the third quarter of 2005. Interest expense increased $20 million as a result of the company's increased debt.

The following sections analyze the company's third quarter operating results as they relate to its three principal segments: truck, engine, and financial services.

Truck

The truck segment manufactures and distributes a full line of Class 6 through 8 diesel-powered trucks and school buses in the common carrier, private carrier, government/service, leasing, construction, energy/petroleum and student transportation markets. The company recently entered the Class 5 truck market with the introduction of its Low Cab Forward (LCF) product in 2005. The truck segment also provides customers with proprietary products needed to support the International® truck and the IC™ bus lines, together with a wide selection of other standard truck and trailer aftermarket parts. Sales of Class 6 through 8 trucks have historically been cyclical, with demand affected by such economic factors as industrial production, construction, demand for consumer durable goods, interest rates as well as the earnings and cash flow of dealers and customers. In addition, the Class 6 through 8 truck markets in the U.S. and Canada are highly competitive. The intensity of this competition results in price discounting and margin pressures throughout the industry. Even though sales volume has improved, the company is still experiencing competitive pricing pressure on its new truck sales, especially in the medium truck market. In addition to the influence of price, market position is driven by product quality, engineering, styling, utility and distribution.

Results of Operations (continued)

Truck (continued)

The following table highlights the truck segment's financial and industry results for the three months and nine months ended July 31, 2005 and 2004.

	Three Months Ended July 31		Nine Months Ended July 31	
	2005	2004	**2005**	2004
Results (Millions of dollars):				
Sales	**$ 2,211**	$ 1,789	**$ 6,355**	$ 4,936
Segment profit	**113**	85	**262**	164
Industry data (in units) [1]:				
U.S. and Canadian sales (Class 6 through 8)	**107,200**	90,300	**308,300**	248,100
Class 8 heavy truck	**75,200**	58,700	**206,800**	154,400
Class 6 and 7 medium truck [2]	**25,300**	25,100	**82,000**	73,700
School buses	**6,700**	6,500	**19,500**	20,000
Company data (in units):				
U.S. and Canadian sales (Class 6 through 8)	**28,100**	24,900	**84,300**	69,200
Class 8 heavy truck	**14,400**	11,600	**39,800**	28,100
Class 6 and 7 medium truck [2]	**9,500**	9,400	**32,300**	29,300
School buses	**4,200**	3,900	**12,200**	11,800
Order backlog (in units)			**26,100**	27,600
Overall U.S. and Canada market share (Class 6 through 8 and school buses)	**26.2%**	27.6%	**27.3%**	27.9%

[1] Industry data derived from materials produced by Ward's Communications.
[2] The company does not meaningfully participate in the Class 5 medium truck market.

The truck segment's improved financial performance in 2005 is the result of increased sales volume within medium and heavy truck, improved pricing and continued cost reductions within its manufacturing processes. While truck segment operating results improved, higher material costs and engineering expenses for the new LH heavy truck program negatively impacted profit margins. The company's overall market share in the third quarter and for the nine months ended decreased slightly over the comparable period last year. Market share was adversely impacted by the industry growth within the Class 8 heavy truck market, a market in which the company has its smallest market share. The company's year-to-date share growth within the Class 8 heavy truck market is reflective of the company's recommitment to the market and our dealer distribution strategy. Year-to date market share within medium truck was slightly ahead of the prior year and school bus market share was up over three percentage points. The medium truck market continues to experience pricing competition. The company's U.S. and Canadian order backlog is consistent with prior fiscal quarters but is down slightly from the comparable period last year. A softening in medium truck orders could not be offset by increased orders for heavy trucks and school buses.

The company forecast currently projects fiscal 2005 U.S. and Canadian Class 8 heavy truck demand to be 273,000 units, up 24% from fiscal 2004. Class 6 and 7 medium truck demand, excluding school buses, is forecast to be 109,000 units, up 9% from 2004. Demand for school buses is expected to be 26,000 units, which is essentially unchanged from 2004.

Results of Operations (continued)

Engine

The engine segment designs and manufactures diesel engines in the 50-325 horsepower range for use primarily in the company's Class 6 and 7 medium trucks, school buses and selected Class 8 heavy truck models. The company's diesel engines are also produced for original equipment manufacturers (OEMs), principally Ford Motor Company (Ford). This segment also sells engines for industrial and agricultural applications. In addition, the engine segment provides customers with proprietary products needed to support the International® engine lines, together with a wide selection of other standard engine and aftermarket parts.

The following table highlights the engine segment's financial results and sales data for the three months and nine months ended July 31, 2005 and 2004.

	Three Months Ended July 31		**Nine Months Ended July 31**	
	2005	2004	**2005**	2004
Results (Millions of dollars):				
Sales	**$ 893**	$ 663	**$ 2,478**	$ 1,961
Segment profit	**13**	34	**9**	71
Sales data (in units):				
Total engine sales	**133,400**	101,700	**366,900**	302,300
OEM sales	**111,800**	83,000	**306,100**	248,600

The engine segment's sales for the three months ended July 31, 2005 improved 35% over the comparable period in 2004, primarily due to higher sales volumes, however net income was lower. The increase in engine sales, period over period, resulted from higher V-8 shipments and engine sales by MWM. The engine segment's lower profit for the three and nine months ended July 31, 2005, is primarily the result of increased engineering costs related to 2007 emissions compliance and one-time costs at one of its foundry operations, partially offset by MWM's operating profit.

In the current quarter, the company recorded $14 million in charges related to a foundry operation, including $11 million to correct the location's inventory balances based upon physical counts conducted during the third quarter. This inventory adjustment was charged to the current period because the company was not able to determine the prior period to which the adjustment may have related. For the nine month period, the inventory charge described above combined with the correction of certain other accounting errors ($7 million) and other adjustments related to changes in estimates ($15 million) for this location totaled approximately $33 million. The errors primarily involved capitalized costs that should have been expensed in the prior periods in which they occurred. Extensive reviews, coupled with certain personnel changes and the reinforcement of policies and procedures, have been completed to ensure that the location's financial records have been brought into alignment with company policies and Generally Accepted Accounting Principals (GAAP).

The company's V-8 shipments to Ford accounted for 76% of all year-to-date OEM engine sales as compared to 86% in the comparable period. The apparent decrease in the Ford V-8 shipment percentage is the result of increased sales to other OEMs. Shipments of V-8 engines to Ford are up 9% year-to-date when compared to 2004. Increased sales to other OEMs are attributable to OEM engine sales by MWM.

The company continues to forecast that OEM shipments of mid-range diesel engines in fiscal 2005 are expected to be 430,800 units, 20% higher than fiscal 2004.

Financial Services

The financial services segment provides wholesale, retail and lease financing for sales of new and used trucks sold by the company and its dealers in the U.S. and Mexico. The financial services segment also finances the company's wholesale accounts and selected retail accounts receivable. Sales of new products (including trailers) of other manufacturers are also financed regardless of whether they are designed or customarily sold for use with the company's truck products.

Results of Operations (continued)

Financial Services (continued)

The following table highlights the financial services segment's financial results for the three months and nine months ended July 31, 2005 and 2004.

	Three Months Ended July 31		Nine Months Ended July 31	
	2005	2004	**2005**	2004
Results (Millions of dollars):				
Revenue	**$ 81**	$ 66	**$ 234**	$ 214
Segment profit	**26**	26	**88**	86
Sales of retail receivables	**$ 385**	$ 325	**$ 1,559**	$ 1,120
Gain on sales of retail receivables	**3**	3	**14**	26

The increase in segment profit for the nine months ended July 31, 2005 is mainly due to higher wholesale note revenue arising from higher dealer inventory balances, the servicing income related to the higher total serviced portfolio balance and higher generation of retail account activity. Partially offsetting these favorable items are reductions in interest rate spreads on owned receivables, lower operating lease balances and lower gains on sales of finance receivables. Sales volumes on receivables reflect a timing difference between quarters.

Restructuring and Other Non-recurring Charges

Restructuring

In 2000 and 2002, the company's board of directors approved two separate plans to restructure its manufacturing and corporate operations (Plans of Restructuring). The company incurred charges for severance and other benefits, curtailment losses, lease terminations, asset and inventory write-downs and other exit costs relating to the major restructuring, integration and cost reduction initiatives originally included in the Plans of Restructuring. A detailed discussion of the charges and initiatives can be found in Note I to the financial statements.

Other Non-Recurring Charges

The company entered into an agreement with Ford to develop and manufacture a V-6 diesel engine to be used in specific Ford vehicles. In October 2002, Ford advised the company that its current business case for a V-6 diesel engine in the specified vehicles was not viable and discontinued its program for the use of these engines. Accordingly, in 2002, the company recorded charges for the write-off of deferred pre-production costs, the write-down of fixed assets that were abandoned, lease obligations under non-cancelable operating leases, and accruals for amounts contractually owed to suppliers. In April 2003, the company reached a comprehensive agreement with Ford concerning termination of its V-6 diesel engine program. The terms of the agreement include compensation to neutralize certain current and future V-6 diesel engine program related costs not accrued for as part of the 2002 non-recurring charge, resolution of ongoing pricing related to the company's V-8 diesel engine program and a release by the parties of all of their obligations under the V-6 diesel engine contract. The company, under current agreements, will continue as Ford's exclusive supplier of V-8 diesel engines through 2012.

Restructuring and Other Non-recurring Charges (continued)

Status

Through July 31, 2005, the company has recorded cumulative charges of $818 million relating to the Plans of Restructuring and non-recurring charges. The initiatives for the Plans of Restructuring are expected to generate at least $70 million of annualized savings for the company, primarily from lower salary and benefit costs and plant operating costs. The company will continue to realize these benefits in 2005 and beyond.

The remaining components of the company's Plans of Restructuring and other non-recurring charges are shown in the following table.

Millions of dollars	Balance October 31 2004	Amount Incurred	**Balance July 31 2005**
Lease terminations	$ 21	$ (4)	**$ 17**
Dealer terminations and other charges	12	-	**12**
Other non-recurring charges	64	(7)	**57**
Total	$ 97	$ (11)	**$ 86**

The remaining liability of $86 million is expected to be funded from existing cash balances and internally generated cash flows from operations. The total cash outlay for the remainder of 2005 is expected to be $4 million with the remaining obligation of $82 million, primarily related to non-recurring charges and long-term non-cancelable lease agreements, to be settled in 2006 and beyond.

The company is in the process of completing certain aspects of the Plans of Restructuring and will continue to evaluate the remaining restructuring reserves as the plans are executed. As a result, there may be additional adjustments to the reserves noted above. Since the company-wide restructuring plans are an aggregation of many individual components requiring judgments and estimates, actual costs have differed from estimated amounts.

Liquidity and Capital Resources

Cash Requirements

The company generates cash flow from the manufacture and sale of trucks, mid-range diesel engines and service parts. In addition, cash flow is generated from product financing provided to the company's dealers and retail customers by the financial services segment. It is the opinion of management that, in the absence of significant unanticipated cash demands, current and forecasted cash flow from the company's manufacturing operations, financial services operations and financing capacity will provide sufficient funds to meet anticipated operating requirements, capital expenditures, equity investments and strategic acquisitions. Management of the company's financial services operations 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. The manufacturing operations are generally able to incur material amounts of additional debt due to their current levels of performance.

Liquidity and Capital Resources (continued)

Sources and Uses of Cash

Millions of dollars	Nine Months Ended July 31, 2005
Cash flow from operating activities	**$ 86**
Cash flow from investment programs	**(1,089)**
Cash flow from financing activities	**991**
Total cash flow	**$ (12)**
Cash and cash equivalents, beginning balance	**$ 605**
Cash and cash equivalents, ending balance	**$ 593**
Outstanding capital commitments	**$ 154**

The company had working capital of $182 million at July 31, 2005. The company had experienced negative working capital through the first two quarters of fiscal 2005 due to various funding facilities of NFC and its affiliates maturing in 2005. In the third quarter, NFC and its affiliates refinanced certain facilities which positively impacted working capital since they are now classified as non-current. Slightly offsetting this was the classification of the company's 9.375% Senior Notes due June 2006 as current. Working capital as of July 31, 2004 was $249 million. Cash provided by operating activities during the nine months ended totaled $86 million, reflecting net income of $135 million, a decrease in accounts receivables of $79 million and $168 million of depreciation and amortization, a non-cash item. These amounts were offset by a $50 million decrease in accounts payable due to a net decrease in wholesale notes and account balances and a $246 million increase in inventory related to higher truck and engine production volumes as well as constraints within the supply base. Cash used in investment programs of $1,089 million includes a net decrease in retail notes and lease receivables of $297 million related to the timing of the sale of finance receivables, offset by $988 million used for investments in marketable securities and $312 million used to invest in MWM (a Brazilian engine manufacturer) and additional truck dealerships. Cash provided by financing activities primarily resulted from a net increase in debt of $998 million.

In March 2005, the company sold $400 million in Senior Notes due 2012 (original notes). The original notes were sold in a Rule 144A and Regulation S private unregistered offering and were priced to yield 6.25%. In June 2005, the company offered to exchange these original notes for a like amount of the company's new 6.25%, Series B, Senior Notes due 2012 (exchange notes). The exchange notes were registered under the Securities Act. The terms of the exchange notes issued in the exchange offer are substantially identical to the original notes, except that the transfer restrictions and registration rights provisions relating to the original notes will not apply to the exchange notes. The exchange notes are guaranteed on a senior unsecured basis by the company's principal operating subsidiary, International Truck and Engine Corporation. The exchange notes are the company's senior unsecured obligation and rank in right of payment behind all of the company's future secured debt and equally in right of payment to all of the company's existing and future senior unsecured debt. The company exchanged in excess of 99.9% of the original notes for the exchange notes when the exchange offer expired on July 27, 2005.

In the third quarter of fiscal 2005, NFC refinanced its $820 million revolving credit facility which was going to become due in December 2005 with a new $1,200 million revolving credit facility that becomes due in December 2010. Likewise, one of NFC's related affiliates, Truck Retail Installment Paper Corporation (TRIP), entered into a new revolving retail facility with a capacity of $500 million that will expire in June 2010, to replace the $500 million facility that will expire in August 2005.

In July 2005, the company repurchased $18 million of its 4.75% Subordinated Exchangeable Notes due 2009 and $7 million of its 9.375% Senior Notes due 2006. The effect of these repurchases on operating income was negligible. The repurchase of the 4.75% Subordinated Exchangeable Notes due 2009 reduced the number of shares included in the calculation of diluted earnings per share, beginning in July, by approximately 323,000 shares.

There have been no material changes in the company's hedging strategies or derivative positions since October 31, 2004. Further disclosure may be found in Note J to the Financial Statements.

Liquidity and Capital Resources (continued)

Financial Services

The financial services segment, mainly Navistar Financial Corporation (NFC), has traditionally obtained the funds to provide financing to the company's dealers and retail customers from sales of finance receivables, commercial paper, short and long-term bank borrowings and medium and long-term debt. As of July 31, 2005, NFC's funding consisted of sold finance receivables of $4,294 million, bank and other borrowings of $1,698 million and secured borrowings of $128 million. NFC securitizes and sells receivables through Navistar Financial Retail Receivables Corporation (NFRRC), Navistar Financial Securities Corporation (NFSC), Truck Retail Accounts Corporation (TRAC), Truck Engine Receivables Financing Corporation (TERFCO) and Truck Retail Installment Paper Corporation (TRIP), all special purpose corporations and wholly owned subsidiaries of NFC. The sales of finance receivables in each securitization constitute sales under accounting principles generally accepted in the United States of America, with the result that the sold receivables are removed from NFC's balance sheet and the investors' interests in the related trust or conduit are not reflected as liabilities.

Through the asset-backed public market and private placement sales, NFC has been able to fund fixed rate retail notes and finance leases at rates which are more economical than those available to NFC in the unsecured public bond market. During the first nine months of 2005, NFC sold $1,559 million of retail notes and finance leases, net of unearned finance income, for a pre-tax gain of $14 million. The receivables were sold through NFRRC to an owner trust which, in turn, issued asset-backed securities that were sold to investors. At July 31, 2005, the remaining shelf registration available to NFRRC for the public issuance of asset-backed securities was $2,504 million.

The following are the funding facilities, in millions, that NFC and its related affiliates have in place as of July 31, 2005.

Company	Instrument type	Total Amount	Purpose of funding	Amount utilized	Matures or expires
TERFCO	Trust	$ 100	Unsecured Ford trade receivables	$ 50	2005
NFSC	Revolving wholesale note trust	$1,479	Eligible wholesale notes	$ 1,191	2005 through 2010
TRAC	Revolving retail account conduit	$ 100	Eligible retail accounts	$ 95	2005
TRIP	Revolving retail facility	$ 500	Retail notes and leases	$ -	2005
TRIP	Revolving retail facility	$ 500	Retail notes and leases	$ 500	2010
NFC	Revolving credit facilities	$ 1,200	Retail notes and leases	$ 708 (1)	2010

(1) $10 million of this amount is utilized by NIC's Mexican finance subsidiaries.

As of July 31, 2005, the aggregate amount available to fund finance receivables under the various facilities was $1,334 million.

Pension and Other Postretirement Benefits

Generally, the company's pension plans are non-contributory. The company's policy is to fund its pension plans in accordance with applicable U.S. and Canadian government regulations and to make additional payments as funds are available to achieve full funding of the accumulated benefit obligation. Other benefits obligations are primarily funded in accordance with the legal agreement, which governs the Voluntary Employees Beneficiary Association (VEBA).

Critical Accounting Policies

The company has identified critical accounting policies that, as a result of the judgments, uncertainties, uniqueness and complexities of the underlying accounting standards and operations involved, could result in material changes to its financial condition or results of operations under different conditions or using different assumptions. The company's most critical accounting policies are related to sales allowances, sales of receivables, product warranty, product liability, pension and other postretirement benefits, allowance for losses and impairment of long-lived assets. Details regarding the company's use of these policies are described in the 2004 Annual Report on Form 10-K filed with the Securities and Exchange Commission. There have been no material changes to these policies since October 31, 2004.

Off-Balance Sheet Arrangements

The company enters into various arrangements not reflected on its balance sheet that have or could have an effect on our financial condition, results of operations, liquidity, capital expenditures or capital resources. The principal off-balance sheet arrangements that the company enters into are guarantees, sales of receivables and postretirement benefits. Details regarding the company's use of these arrangements are described in the 2004 Annual Report on Form 10-K filed with the Securities and Exchange Commission. There have been no material changes to these arrangements since October 31, 2004.

Contractual Obligations

In March 2005, the company sold $400 million in Senior Notes due 2012 (original notes). The original notes were sold in a Rule 144A and Regulation S private unregistered offering and were priced to yield 6.25%. In June 2005, the company offered to exchange these original notes for a like amount of the company's new 6.25%, Series B, Senior Notes due 2012 (exchange notes). The exchange notes were registered under the Securities Act. The terms of the exchange notes issued in the exchange offer are substantially identical to the original notes, except that the transfer restrictions and registration rights provisions relating to the original notes will not apply to the exchange notes. The exchange notes are guaranteed on a senior unsecured basis by the company's principal operating subsidiary, International Truck and Engine Corporation. The exchange notes are the company's senior unsecured obligation and rank in right of payment behind all of the company's future secured debt and equally in right of payment to all of the company's existing and future senior unsecured debt. The company exchanged in excess of 99.9% of the original notes for the exchange notes when the exchange offer expired on July 27, 2005.

In the third quarter of fiscal 2005, NFC refinanced its $820 million revolving credit facility which was going to become due in December 2005 with a new $1,200 million revolving credit facility that becomes due in December 2010. Likewise, one of NFC's related affiliates, Truck Retail Installment Paper Corporation (TRIP), entered into a new revolving retail facility with a capacity of $500 million that will expire in June 2010, to replace the $500 million facility that will expire in August 2005.

In July 2005, the company repurchased $18 million of its 4.75% Subordinated Exchangeable Notes due 2009 and $7 million of its 9.375% Senior Notes due 2006. The effect of these repurchases on operating income was negligible. The repurchase of the 4.75% Subordinated Exchangeable Notes due 2009 reduced the number of shares included in the calculation of diluted earnings per share, beginning in July, by approximately 323,000 shares.

Income Taxes

The Statement of Financial Condition at July 31, 2005, includes a deferred tax asset of $1,435 million, net of valuation allowances of $74 million. The company performs extensive analysis to determine the amount of the deferred tax asset. Such analysis is based on the premise that the company is, and will continue to be, a going concern and that it is more likely than not that deferred tax benefits will be realized through the generation of future taxable income.

New Accounting Pronouncements

In December 2004, the FASB issued SFAS No. 123 (revised 2004), “Share-Based Payment.” This Statement generally requires the recognition of the cost of employee services received in exchange for an award of equity instruments. This cost is based on the grant date fair value of the equity award and will be recognized over the period during which the employee is required to provide service in exchange for the award. The effective date for the company is the beginning of the first fiscal quarter of 2006. The company is still evaluating its share-based payment programs and the related impact, if any, this Statement may have on its results of operations, financial condition or cash flows.

In November 2004, the FASB issued SFAS No. 151, “Inventory Costs,” to clarify the accounting for abnormal amounts of idle facility expense, freight, handling costs and wasted material. The Statement clarifies that abnormal inventory costs should be recognized in the period in which they occur. This Statement is effective for inventory costs incurred during fiscal years beginning after June 15, 2005. The company will adopt this Statement in fiscal 2006 but has not yet determined the effect, if any, this Statement may have on its results of operations, financial condition or cash flows.

In December 2004, the FASB issued SFAS No. 153, “Exchanges of Nonmonetary Assets,” to amend Accounting Principles Board Opinion No. 29, “Accounting for Nonmonetary Transactions” (APB No. 29). The Statement eliminates the exception from fair value measurement for nonmonetary exchanges of similar products in APB No. 29 and replaces it with an exception for exchanges that do not have commercial substance. This Statement shall be applied prospectively for nonmonetary asset exchanges occurring in fiscal periods beginning after June 15, 2005. The company does not expect this statement will have a material impact on its results of operations, financial condition or cash flows.

In December 2004, the FASB issued two FASB Staff Positions (FSPs) that provide accounting guidance on how companies should account for the effects of the American Jobs Creation Act of 2004 (the Act) that was signed into law on October 22, 2004. The Act could affect how companies report their deferred income tax balances. The first FSP is FSP FAS 109-1 (FSP 109-1); the second is FSP FAS 109-2 (FSP 109-2). In FSP 109-1, the FASB concludes that the tax relief (special tax deduction for domestic manufacturing) from the Act should be accounted for as a "special deduction" instead of a tax rate reduction. The company continues to evaluate the impact, if any, this FSP may have on its results of operations, financial condition or cash flows. FSP 109-2 gives a company additional time to evaluate the effects of the Act on any plan for reinvestment or repatriation of foreign earnings for purposes of applying SFAS No. 109, “Accounting for Income Taxes.” However, the company must provide certain disclosures if it chooses to utilize the additional time granted by the FASB. The company has completed its evaluation and does not intend to repatriate foreign earnings.

In March 2005, the FASB issued FASB Interpretation (FIN) No. 47, “Accounting for Conditional Asset Retirement Obligations.” This Interpretation addresses diverse accounting practices that developed with respect to the timing of liability recognition for legal obligations associated with the retirement of a tangible long-lived asset when the timing and (or) method of settlement of the obligation are conditional on a future event. FIN No. 47 concludes that an entity is required to recognize a liability for the fair value of a conditional asset retirement obligation when incurred if the liability's fair value can be reasonably estimated. This Interpretation is effective no later than the end of fiscal years ending after December 15, 2005. The company does not have any such asset retirement obligations at this time. The company expects that this Interpretation will have no impact on the company’s results of operations, financial condition or cash flows.

In May 2005, the FASB issued SFAS No. 154, “Accounting Changes and Error Corrections,” to replace Accounting Principles Board Opinion No. 20, “Accounting Changes” and SFAS No. 3, “Reporting Accounting Changes in Interim Financial Statements.” This Statement provides guidance on the accounting for and reporting of accounting changes and error corrections. It also establishes the required methods by which entities should include accounting changes or error corrections in previously issued financial statements. This Statement is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. Early adoption is permitted for accounting changes and corrections of errors made in fiscal years beginning after the date this Statement was issued. The company intends to adopt this Statement for fiscal 2006.

Forward Looking Statements

This Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act, Section 21E of the Exchange Act and the Private Securities Litigation Reform Act of 1995 that are subject to risks and uncertainties. You should not place undue reliance on those statements because they are subject to numerous uncertainties and factors relating to our operations and business environment, all of which are difficult to predict and many of which are beyond our control, and such forward-looking statements only speak as of the date of this Form 10-Q. Forward-looking statements include information concerning our possible or assumed future results of operations, including descriptions of our business strategy. These statements often include words such as "believe," "expect," "anticipate," "intend," "plan," "estimate" or similar expressions. These statements are based on assumptions that we have made in light of our experience in the industry as well as our perceptions of historical trends, current conditions, expected future developments and other factors we believe are appropriate under the circumstances. As you read and consider this Form 10-Q, you should understand that these statements are not guarantees of performance or results. They involve risks, uncertainties and assumptions. Although we believe that these forward-looking statements are based on reasonable assumptions, you should be aware that many factors could affect our actual financial results or results of operations and could cause actual results to differ materially from those in the forward-looking statements. For a further description of these factors, see Exhibit 99.1 to Form 10-K for the year ended October 31, 2004, filed with the SEC on February 15, 2005.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The company's primary market risks include fluctuations in interest rates and currency exchange rates as further described in Item 7A of the 2004 Annual Report on Form 10-K.

Interest rate risk is the risk that the company will incur economic losses due to adverse changes in interest rates. The company measures its interest rate risk by estimating the net amount by which the fair value of all of its interest rate sensitive assets and liabilities would be impacted by selected hypothetical changes in market interest rates. Fair value is estimated using a discounted cash flow analysis. Assuming a hypothetical instantaneous 10% adverse change in interest rates as of July 31, 2005, the net fair value of these instruments would decrease by approximately $34 million. The company's interest rate sensitivity analysis assumes a parallel shift in interest rate yield curves. The model, therefore, does not reflect the potential impact of changes in the relationship between short-term and long-term interest rates.

The company is exposed to changes in the price of commodities used in its manufacturing operations. Due to the amount of steel used in its production of truck cabs, buses and engines, the company is exposed to steel price fluctuations. During the first three quarters of fiscal 2005, steel prices were higher than fiscal 2004, but steel prices have recently leveled off. The year-to-date impact of steel price increases, net of recovery through pricing, has been approximately $85 million. The company expects the full year impact from steel to be at least $100 million.

Foreign currency risk is the risk that the company will incur economic losses due to adverse changes in foreign currency exchange rates. The company's primary exposures to foreign currency exchange fluctuations are the Canadian dollar/U.S. dollar, Mexican peso/U.S. dollar and Brazilian real/U.S. dollar. The potential reduction in future earnings from a hypothetical instantaneous 10% adverse change in quoted foreign currency spot rates applied to foreign currency sensitive instruments would be approximately $7 million at July 31, 2005.

Item 4. Controls and Procedures

Evaluation of disclosure controls and procedures

The company's principal executive officer and principal financial officer, along with other management of the company, evaluated the effectiveness of the company's disclosure controls and procedures (as defined in rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act)) as of July 31, 2005. Based on that evaluation, the principal executive officer and principal financial officer of the company concluded that, as of July 31, 2005, there were weaknesses in the disclosure controls and procedures within the company's finance subsidiary, NFC, related to the lack of a sufficient quantity of specialized accounting personnel. Because of the weakness noted within the finance subsidiary, the principal executive officer and principal financial officer of the company concluded that the disclosure controls and procedures in place at the company were not effective. Management of the company's finance subsidiary is in the process of adding additional specialized accounting personnel.

Changes in internal controls over financial reporting

The company has not made any significant changes to its internal control over financial reporting (as defined in rule 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter ended July 31, 2005 that have materially affected, or are reasonably likely to materially affect, the company's internal control over financial reporting except for the changes in controls at one of the company's foundry operations at which control issues were identified and corrected during the third quarter. Based on a thorough review of the accounting records at this facility that was completed during the third quarter, the company determined that improved controls were needed in the areas of inventory accounting and account reconciliation and review. Improvements in controls were made by replacing certain personnel, aligning the location's accounting practices with corporate policies and GAAP and increasing the level of analysis and review over the location's financial statements.

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. The majority of these claims and proceedings relate to commercial, product liability and warranty matters. In the opinion of the company's management, the disposition of these proceedings and claims, including those discussed below, after taking into account established reserves and the availability and limits of the company's insurance coverage, will not have a material adverse affect on the business or the financial condition of the company.

In December 2003, the United States Environmental Protection Agency (US EPA) issued a Notice of Violation to the company in conjunction with the operation of its engine casting facility in Indianapolis, Indiana. Specifically, the US EPA alleged that the company violated applicable environmental regulations by failing to obtain the necessary permit in connection with the construction of certain equipment and complying with the best available control technology for emissions from such equipment. The company is currently in discussions with the US EPA and believes that its discussions will result in capital improvements together with monetary sanctions which will not be material.

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, Illinois, 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. After a trial, 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 appealed the adverse judgment, and the jury's verdict was reversed by the appellate court on October 28, 2004 and remanded to the district court for retrial. The company is cooperating with Sturman in this effort. In May 2003, in Federal Court in Columbia, South Carolina, Caterpillar sued the company, its supplier of fuel injectors and joint venture, Siemens Diesel Systems Technology, L.L.C., and Sturman for patent infringement alleging that the Sturman fuel system technology patents and certain Caterpillar patents are infringed in the company's new engines. The company believes that it has meritorious defenses to the claims of infringement of the Sturman patents as well as the Caterpillar patents and will vigorously defend such claims. In January 2002, Caterpillar sued the company in the Circuit Court in Peoria County, Illinois, alleging the company breached the purchase agreement pursuant to which Caterpillar supplied fuel systems for the company's prior version of diesel engines. Caterpillar's claims involve a 1990 agreement to reimburse Caterpillar for costs associated with the delayed launch of the company's V-8 diesel engine program. Reimbursement of the delay costs was made by a surcharge of $8.08 on each injector purchased and the purchase of certain minimum quantities of spare parts. In 1999, the company concluded that, in accordance with the 1990 agreement, it had fully reimbursed Caterpillar for its delay costs and stopped paying the surcharge and purchasing the minimum quantities of spare parts. Caterpillar is asserting that the surcharge and the spare parts purchase requirements continue throughout the life of the contract and has sued the company to recover these amounts, plus interest. Caterpillar also asserts that the company failed to purchase all of its fuel injector requirements under the contract and, in collusion with Sturman, failed to pursue a future fuel systems supply relationship with Caterpillar. The company believes that it has meritorious defenses to Caterpillar's claims.

Along with other vehicle manufacturers, the company and certain of its subsidiaries have been subject to an increase in the number of asbestos-related claims in recent years. Management believes that such claims will not have a material adverse affect on the company's financial condition or results of operations. In general these claims relate to illnesses alleged to have resulted from asbestos exposure from component parts found in older vehicles, although some cases relate to the presence of asbestos in company facilities. In these claims the company is not the sole defendant, and the claims name as defendants numerous manufacturers and suppliers of a wide variety of products allegedly containing asbestos. Management has strongly disputed these claims, and it has been the company's policy to defend against them vigorously. Historically, the actual damages paid out to claimants have not been material to the company's results of operations and financial condition. However, management believes

PART II - OTHER INFORMATION

Item 1. Legal Proceedings (continued)

the company and other vehicle manufacturers are being more aggressively targeted, largely as a result of bankruptcies of manufacturers of asbestos and products containing asbestos. It is possible that the number of these claims will continue to grow, and that the costs for resolving asbestos related claims could become significant in the future.

On October 13, 2004, the company received a request from the staff of the SEC to voluntarily produce certain documents and information related to the company's accounting practices with respect to defined benefit pension plans and other postretirement benefits. The company is fully cooperating with this request. Based on the status of the inquiry, the company is not able to predict the final outcome.

On January 31, 2005, the company announced that it would restate its financial results for fiscal years 2002 and 2003 and the first three quarters of fiscal 2004. The SEC notified the company on February 9, 2005, that it was conducting an informal inquiry into the company's restatement. On March 17, 2005, the company was advised by the SEC that the status of the inquiry had been changed to a formal investigation. The company is fully cooperating with the SEC on this investigation. Based on the status of the investigation, the company is not able to predict the final outcome.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Directors of the company who are not employees receive an annual retainer and meeting fees 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 1,272 shares were deferred as payment for the fiscal year 2005 annual retainer and meeting fees. In each case, the shares were acquired at prices ranging from $30.195 to $34.03 per share, 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 due 2006, $250 million Senior Notes due 2011, $400 million Senior Notes due 2012 and $19 million Senior Notes. 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.

Navistar International Corporation and Consolidated Subsidiaries

PART II - OTHER INFORMATION

Item 6. Exhibits

(a) Exhibits:

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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)

Date: September 9, 2005

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

EXHIBIT 3

NAVISTAR INTERNATIONAL CORPORATION
AND CONSOLIDATED SUBSIDIARIES

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 Certificate of Retirement of Stock filed with the Secretary of State for the State of Delaware effective July 30, 2003 retiring the Class B common stock of Navistar International Corporation in accordance with the Restated Certificate of Incorporation of Navistar International Corporation, filed as Exhibit 3.2 to Quarterly Report on Form 10-Q dated September 12, 2003, which was filed on September 12, 2003 on Commission File No. 001-09618.

3.3 The Amended and Restated By-Laws of Navistar International Corporation effective October 21, 2003, filed as Exhibit 3.3 to Annual Report on Form 10-K dated October 31, 2003, which was filed on December 19, 2003, Commission No. 001-09618.

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 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 as Exhibit 4.3.

4.2 Note Purchase Agreement, dated as of June 15, 2001, as amended from time to time, 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).

4.3 555,000,000 Mexican Peso Credit Agreement dated as of July 25, 2001, as restructured as of May 14, 2004, and amended as of June 7, 2005, by and 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 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).

4.4 First Supplement to Indenture, dated as of August 22, 2001, by and among 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.

4.5 $40,000,000 Revolving Credit Agreement dated as of August 26, 2004, by and among Arrendadora Financiera Navistar, S.A. de C.V. and Servicios Financieros Navistar, S.A. de C.V. and Export Development 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).

4.6 100,000,000 Mexican Peso Revolving Credit Agreement dated as of August 10, 2004, and amended as of May 24, 2005, by and among Arrendadora Financiera Navistar, S.A. de C.V. and Servicios Financieros Navistar, 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).

4.7 120,000,000 Mexican Peso Revolving Credit Agreement dated as of February 27, 2002, by and between 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).

NAVISTAR INTERNATIONAL CORPORATION
AND CONSOLIDATED SUBSIDIARIES

INSTRUMENTS DEFINING RIGHTS OF SECURITY HOLDERS, INCLUDING INDENTURES

4.8 120,000,000 Mexican Peso Revolving Credit Agreement dated as of February 27, 2002, by and between 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).

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

4.10 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.

4.11 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.

4.12 170,000,000 Mexican Peso Revolving Credit Agreement dated as of May 12, 2004, and amended as of May 9, 2005, by and among Servicios Financieros Navistar, S.A. de C.V., and Arrendadora Financiera Navistar, S.A. de C.V. as borrower and Ixe Banco, S.A., 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).

4.13 $8,000,000 Revolving Credit Agreement dated as of September 29, 2003 and as amended on November 17, 2004, by and between Servicios Financieros Navistar, S.A. de C.V, as borrower and HSBC Mexico, S.A. (f/k/a Banco Internacional, S.A.), 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).

4.14 80,000,000 Mexican Peso Revolving Credit Agreement dated as of August 30, 2004, by and between Servicios Financieros Navistar, S.A. de C.V., as borrower and Banco Invex, S.A., 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).

4.15 200,000,000 Mexican Peso Revolving Credit Agreement dated as of October 16, 2002, and ratified on March 16, 2005, by and among Servicios Financieros Navistar, S.A. de C.V. and Arrendadora Financiera Navistar, S.A. de C.V., as borrowers and Scotiabank Inverlat, S.A., 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).

4.16 Registration Rights Agreement, dated as of November 8, 2002, by and between Navistar International Corporation and the Investors party thereto. Filed as Exhibit 4.3 to Form S-3 dated December 6, 2002. Registration No. 333-101684.

NAVISTAR INTERNATIONAL CORPORATION
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4.17 Indenture, dated as of December 16, 2002, by and among Navistar International Corporation, International Truck and Engine Corporation and BNY Midwest Trust Company, as Trustee, for Navistar International Corporation's 2.50% Senior Convertible Notes due 2007 for $190,000,000. Filed as Exhibit 4.3 to Form S-3 dated February 25, 2003. Registration No. 333-103437.

4.18 Registration Rights Agreement, dated as of December 16, 2002, by and between Navistar International Corporation and Credit Suisse First Boston Corporation. Filed as Exhibit 4.2 to Form S-3 dated February 25, 2003. Registration No. 333-103437.

4.19 $3,000,000 Revolving Credit Agreement dated as of September 29, 2003, and as amended on November 17, 2004, by and between Arrendadora Financiera Navistar, S.A. de C.V., as borrower and HSBC Mexico S.A. (f/k/a Banco Internacional, S.A.), 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).

4.20 100,000,000 Mexican Peso Revolving Credit Agreement dated as of December 11, 2003, by and between 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).

4.21 100,000,000 Mexican Peso Revolving Credit Agreement dated as of December 11, 2003, by and between 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).

4.22 $50,000,000 Mexican Peso Revolving Credit Agreement dated as of May 18, 2004 and amended as of November 10, 2004, between Servicios Financieros Navistar, S.A. de C.V., as borrower and Banco Mercantil del Norte, S.A., 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).

4.23 $85,000,000 Mexican Peso Revolving Credit Agreement dated as of May 31, 2005, between Servicios Financieros Navistar, S.A. de C.V., as borrower and Banco del Bajio, S.A., 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 $40,000,000 Mexican Peso Revolving Credit Agreement dated as of May 31, 2005, between Arrendadora Financiera Navistar, S.A. de C.V., as borrower and Banco del Bajio, S.A., 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).

NAVISTAR INTERNATIONAL CORPORATION
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4.25 $50,000,000 Mexican Peso Revolving Credit Agreements dated as of June 11, 2004, between Servicios Financieros Navistar, S.A. de C.V., and Arrendadora Financiera Navistar, S.A. de C.V as borrowers and Banco Ve por Más, S.A., as lender. The Registrant agrees to furnish to the Commission upon request a copy of such agreements which it has elected not to file under the provisions of Regulation 601 (b)(4)(iii).

4.26 Indenture, dated as of June 2, 2004, by and among Navistar International Corporation, International Truck and Engine Corporation and BNY Midwest Trust Company, as Trustee, for 7 1/2% Senior Notes due 2011 for $250,000,000. Filed as Exhibit 4.1 to Current Report on Form 8-K dated June 4, 2004. Commission File No. 1-9618.

4.27 First Supplement to Indenture, dated as of June 2, 2004, by and among Navistar International Corporation, International Truck and Engine Corporation and BNY Midwest Trust Company, as Trustee, for 7 1/2% Senior Notes due 2011 for $250,000,000. Filed as Exhibit 4.2 to Current Report on Form 8-K dated June 4, 2004. Commission File No. 1-9618.

4.28 Second Supplement to Indenture, dated as of June 2, 2004, by and among 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 4.3 to Current Report on Form 8-K dated June 4, 2004. Commission File No. 1-9618.

4.29 First Supplement to Indenture, dated as of June 11, 2004, 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 4.33 to Form 10-Q dated and filed September 10, 2004. Commission File No. 1-9618.

4.30 Indenture, dated as of March 2, 2005, by and among Navistar International Corporation, International Truck and Engine Corporation and The Bank of New York Trust Company, as Trustee, for its 6¼% Senior Notes due 2012 for $400,000,000. Filed as Exhibit 4.35 to Form 10-Q dated and filed April 25, 2005. Commission File No. 1-9618.

4.31 Registration Rights Agreement, dated as of March 2, 2005, by and among, Navistar International Corporation, Banc of America Securities LLC , Citigroup Global Markets Inc., J.P. Morgan Securities Inc., Credit Suisse First Boston LLC, Scotia Capital (USA) Inc., BNY Capital Markets, Inc. and RBC Capital Markets Corporation. Filed as Exhibit 4.34 to Form 10-Q dated and filed April 25, 2005. Commission File No. 1-9618.

4.32 10,000,000 Mexican Peso Revolving Credit Agreement dated as of March 2, 2005, by and between Arrendadora Financiera Navistar, S.A. de C.V., as borrower and Banco Invex, S.A., 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).

NAVISTAR INTERNATIONAL CORPORATION
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INCLUDING INDENTURES

4.33 $500,000,000 Mexican Peso Short Term Commercial Paper Program (Programa de Certificados Bursátiles a Corto Plazo) authorized on April 15, 2005, by Servicios Financieros Navistar, S.A. de C.V. and placed in the market by the intermediate underwriter ScotiaInverlat Casa de Bolsa, S.A. de C.V. The Registrant agrees to furnish to the Commission upon request a copy the agreement dated April 27, 2005 between the two parts, which it has elected not to file under the provisions of Regulation 601(b)(4)(iii).

4.34 87,720,000 Mexican Peso Credit Guaranty Agreement dated as of December 2, 2004, by and between Servicios Financieros Navistar, S.A. de C.V., as borrower, and Nacional Financiera, S.N.C., as partial Guarantor of a 516,000,000 Mexican Peso Securities Certificates (Certificados Bursátiles) issued through a Trust in Banco J.P. Morgan, 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).

4.35 Amended and Restated Credit Agreement for $1,200,000,000 Revolving Credit and Competitive Advance Facility dated as of July 1, 2005, 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 10.01 to Navistar Financial Corporation's Form 8-K dated and filed September 1, 2005. Commission File No. 1-4146.

The following documents of Navistar International Corporation and its affiliates are filed herewith:

4.36 Amended and Restated Guarantee, dated as of July 1, 2005, made by Navistar International Corporation, in favor of The Chase Manhattan Bank, as Administrative Agent, for the lenders parties to the Amended and Restated Credit Agreement, dated as of July 1, 2005, 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.

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 4.36

AMENDED AND RESTATED PARENT GUARANTEE

GUARANTEE, dated as of July 1, 2005, made by NAVISTAR INTERNATIONAL CORPORATION, a Delaware corporation (the "Guarantor"), in favor of JPMORGAN CHASE BANK, N.A., as administrative agent (in such capacity, the "Administrative Agent") for the lenders (the "Lenders") parties to the Amended and Restated Credit Agreement, dated as of July 1, 2005 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), among Navistar Financial Corporation (the "US Borrower") and Arrendadora Financiera Navistar, S.A. DE C.V., Organización Auxiliar del Crédito, Servicios Financieros Navistar, S.A. DE C.V., Sociedad Financiera de Objeto Limitado and Navistar Comercial, S.A. DE C.V. (collectively, the "Mexican Borrowers"; together with the US Borrower, the "Borrowers"), the Lenders, Bank of America, N.A., as syndication agent, The Bank of Nova Scotia, as documentation agent, and the Administrative Agent.

W I T N E S S E T H:

WHEREAS, pursuant to the Credit Agreement, certain of the Lenders have severally agreed to make Loans to the Mexican Borrowers upon the terms and subject to the conditions set forth therein;

WHEREAS, it is a condition precedent to the obligation of the Lenders to make their respective Loans to the Mexican Borrowers under the Credit Agreement that the Guarantor shall have executed and delivered this Guarantee to the Administrative Agent for the ratable benefit of the Lenders; and

WHEREAS, Guarantor owns, directly or indirectly, all of the capital stock of each of the Mexican Borrowers, and it is to the advantage of Guarantor that the Lenders make the Loans to the Mexican Borrowers;

NOW, THEREFORE, in consideration of the premises and to induce the Administrative Agent and the Lenders to enter into the Credit Agreement and to induce the Lenders to make their respective loans to the Mexican Borrowers under the Credit Agreement, the Guarantor hereby agrees with the Administrative Agent, for the ratable benefit of the Lenders, as follows:

1. Defined Terms. (a) Unless otherwise defined herein, terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement.

(b) As used herein, "Mexican Obligations" means the unpaid principal of and interest on (including, without limitation, interest accruing after the maturity of the Mexican Revolving Loans and interest accruing after the filing of any petition in bankruptcy ("*concurso*"), or the commencement of any insolvency, reorganization or like proceeding, relating to any Mexican Borrower, whether or not a claim for post-filing or post-petition interest is allowed in such proceeding) the Mexican Revolving Loans and all other obligations and liabilities of the Mexican Borrowers to the Administrative Agent and the Lenders, whether direct or indirect, absolute or contingent, due or to become due, or now existing or hereafter incurred, which may arise under, out of, or in connection with, the Credit Agreement and any other document made, delivered or given in connection therewith, whether on account of principal, interest, reimbursement obligations, fees, indemnities, costs, expenses (including, without limitation, all reasonable fees and disbursements of counsel to the Administrative Agent and the Lenders that are required to be paid by the Mexican Borrowers pursuant to the terms of the Credit Agreement) or otherwise.

(c) The words “hereof,” “herein” and “hereunder” and words of similar import when used in this Guarantee shall refer to this Guarantee as a whole and not to any particular provision of this Guarantee, and section and paragraph references are to this Guarantee unless otherwise specified.

(d) The meanings given to terms defined herein shall be equally applicable to both the singular and plural forms of such terms.

2. <u>Guarantee</u>. (a) The Guarantor hereby unconditionally and irrevocably guarantees to the Administrative Agent, for its own benefit and for the ratable benefit of the Lenders and their respective successors, indorsees, transferees and assigns, the prompt and complete payment and performance by each Mexican Borrower when due (whether at the stated maturity, by acceleration or otherwise) of the Mexican Obligations of such Mexican Borrower.

(b) The Guarantor further agrees to pay any and all expenses (including, without limitation, all fees and disbursements of counsel) which may be paid or incurred by the Administrative Agent or any Lender in enforcing or collecting, any or all of the Mexican Obligations and/or enforcing any rights with respect to, or collecting against, the Guarantor under this Guarantee. This Guarantee shall remain in full force and effect until the Mexican Obligations are paid in full and the Commitments are terminated, notwithstanding that from time to time prior thereto any Mexican Borrower may be free from any Mexican Obligations.

(c) The Guarantor agrees that whenever, at any time, or from time to time, it shall make any payment to the Administrative Agent or any Lender on account of its liability hereunder, it will notify the Administrative Agent or such Lender in writing that such payment is made under this Guarantee for such purpose.

3. <u>No Subrogation</u>. Notwithstanding any payment or payments made by the Guarantor hereunder, or any set-off or application of funds of the Guarantor by the Administrative Agent or any Lender, the Guarantor shall not be entitled to be subrogated to any of the rights of the Administrative Agent or any Lender against any Mexican Borrower or against any collateral security or guarantee or right of offset held by the Administrative Agent or any Lender for the payment of the Mexican Obligations, nor shall the Guarantor seek or be entitled to seek any contribution or reimbursement from any Mexican Borrower in respect of payments made by the Guarantor hereunder, until all amounts owing to the Administrative Agent and the Lenders by each Mexican Borrower on account of the Mexican Obligations are paid in full and the Commitments are terminated.

4. Amendments, etc. with respect to the Mexican Obligations; Waiver of Rights. The Guarantor shall remain obligated hereunder notwithstanding that, without any reservation of rights against the Guarantor, and without notice to or further assent by the Guarantor, any demand for payment of any of the Mexican Obligations made by the Administrative Agent or any Lender may be rescinded by the Administrative Agent or such Lender, and any of the Mexican Obligations continued, and the Mexican Obligations, or the liability of any other party upon or for any part thereof, or any collateral security or guarantee therefor (including, without limitation, the guarantee of the US Borrower contained in Article XI of the Credit Agreement) or right of offset with respect thereto, may, from time to time, in whole or in part, be renewed, extended, amended, modified, accelerated, compromised, waived, surrendered or released by the Administrative Agent or any Lender, and the Credit Agreement, any Notes, any other Loan Document and any other documents executed and delivered in connection therewith may be amended, modified, supplemented or terminated, in whole or in part, as the Administrative Agent (or the requisite number of Lenders, as the case may be) may deem advisable from time to time, and any collateral security, guarantee or right of offset at any time held by the Administrative Agent or any Lender for the payment of the Mexican Obligations may be sold, exchanged, waived, surrendered or released. Neither the Administrative Agent nor any Lender shall have any obligation to protect, secure, perfect or insure any Lien at any time held by it as security for the Mexican Obligations or for this Guarantee or any property subject thereto. When making any demand hereunder against the Guarantor, the Administrative Agent or any Lender may, but shall be under no obligation to, make a similar demand on any Mexican Borrower or any other guarantor, and any failure by the Administrative Agent or any Lender to make any such demand or to collect any payments from any Borrower or any such other guarantor or any release of such Borrower or such other guarantor shall not relieve the Guarantor of its obligations or liabilities hereunder, and shall not impair or affect the rights and remedies, express or implied, or as a matter of law, of the Administrative Agent or any Lender against the Guarantor. For the purposes hereof "demand" shall include the commencement and continuance of any legal proceedings.

5. Guarantee Absolute and Unconditional. The Guarantor waives any and all notice of the creation, renewal, extension or accrual of any of the Mexican Obligations and notice of or proof of reliance by the Administrative Agent or any Lender upon this Guarantee or acceptance of this Guarantee; the Mexican Obligations, and any of them, shall conclusively be deemed to have been created, contracted or incurred, or renewed, extended, amended or waived, in reliance upon this Guarantee; and all dealings between the Mexican Borrowers or the Guarantor, on the one hand, and the Administrative Agent and the Lenders, on the other, shall likewise be conclusively presumed to have been had or consummated in reliance upon this Guarantee. The Guarantor waives diligence, presentment, protest, demand for payment and notice of default or nonpayment to or upon the Mexican Borrowers or any other guarantor with respect to the Mexican Obligations. This Guarantee shall be construed as a continuing, absolute and unconditional guarantee of payment without regard to (a) the validity, regularity or enforceability of the Credit Agreement or any Note or other Loan Document, any of the Mexican Obligations or any other collateral security therefor or guarantee or right of offset with respect thereto at any time or from time to time held by the Administrative Agent or any Lender, (b) any defense, set-off or counterclaim (other than a defense of payment or performance) which may at any time be

available to or be asserted by any Mexican Borrower against the Administrative Agent or any Lender, or (c) any other circumstance (other than a defense of payment or performance) whatsoever (with or without notice to or knowledge of the Borrowers or the Guarantor) which constitutes, or might be construed to constitute, an equitable or legal discharge of the Borrowers for the Mexican Obligations, or of the Guarantor under this Guarantee, in bankruptcy or in any other instance. When pursuing its rights and remedies hereunder against the Guarantor, the Administrative Agent and any Lender may, but shall be under no obligation to, pursue such rights and remedies as it may have against any Mexican Borrower or any other Person or against any collateral security or guarantee for the Mexican Obligations (including, without limitation, the guarantee of the US Borrower contained in Article XI of the Credit Agreement) or any right of offset with respect thereto, and any failure by the Administrative Agent or any Lender to pursue such other rights or remedies or to collect any payments from any Mexican Borrower or any such other Person or to realize upon any such collateral security or guarantee or to exercise any such right of offset, or any release of any Mexican Borrower or any such other Person or of any such collateral security, guarantee or right of offset, shall not relieve the Guarantor of any liability hereunder and shall not impair or affect the rights and remedies, whether express, implied or available as a matter of law, of the Administrative Agent or any Lender against the Guarantor. This Guarantee shall remain in full force and effect and be binding in accordance with and to the extent of its terms upon the Guarantor and its successors and assigns, and shall inure to the benefit of the Administrative Agent and the Lenders, and their respective successors, indorsees, transferees and assigns, until all the Mexican Obligations and the obligations of the Guarantor under this Guarantee shall have been satisfied by payment in full and the Commitments shall have been terminated, notwithstanding that from time to time during the term of the Credit Agreement any Mexican Borrower may be free from any Mexican Obligations.

6. Reinstatement. This Guarantee shall continue to be effective, or be reinstated, as the case may be, if at any time payment, or any part thereof, of any of the Mexican Obligations is rescinded or must otherwise be restored or returned by the Administrative Agent or any Lender upon the insolvency, bankruptcy, dissolution, liquidation or reorganization of any Borrower or upon or as a result of the appointment of a receiver, intervenor or conservator of, or trustee or similar officer for, any Borrower or any substantial part of its property, or otherwise, all as though such payments had not been made.

7. Payments. The Guarantor hereby agrees that the Mexican Obligations will be paid to the Administrative Agent without set-off or counterclaim in U.S. Dollars at the office of the Administrative Agent located at 270 Park Avenue, New York, New York 10017.

8. Representations and Warranties. In order to induce the Lenders to make the Loans pursuant to the Credit Agreement, the Guarantor hereby represents and warrants to the Administrative Agent and the Lenders that:

(a) Organization. The Guarantor is duly organized, validly existing and in good standing (to the extent such requirement shall be applicable) under the laws of the jurisdiction of its organization.

(b) Power. The Guarantor has the corporate power and authority to execute and deliver, and to perform its obligations under, this Guarantee and has taken all necessary corporate and, if required, stockholder action to authorize its execution, delivery and performance of this Guarantee.

(c) Due Execution. This Guarantee has been duly executed and delivered by the Guarantor and constitutes a legal, valid and binding obligation of the Guarantor enforceable in accordance with its terms, except as affected by bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other laws affecting creditors' rights generally and subject to general principles of equity regardless of whether considered in a proceeding in equity or at law.

(d) Governmental Approvals; No Conflicts. The execution, delivery, performance, validity or enforceability of this Guarantee, (i) does not require any consent or approval of, registration or filing with, or any other action by, any Governmental Authority, except (A) such as have been obtained or made and are in full force and effect and (B) such filings as may be required under federal and state securities laws for purposes of disclosure, (ii) will not violate any applicable law or regulation (including, without limitation, all laws, rules and regulations promulgated by or relating to IMSS, INFONAVIT and SAR) or the charter, by-laws or other organizational documents of the Guarantor or any order of any Governmental Authority, (iii) will not violate or result in a default under any indenture, agreement or other instrument binding upon the Guarantor or any of its Subsidiaries or its assets (other than with respect to Section 3.12 of the Indenture, dated as of May 31, 2001, among the Guarantor, International and BNY Midwest Trust Company, as trustee and Section 10.5 of the Senior Note Purchase Agreement, dated as of June 15, 2001, between International and State of Wisconsin Investment Board, in each case as amended, supplemented or otherwise modified from time to time), or give rise to a right thereunder to require any payment to be made by the Guarantor or any of its Subsidiaries, and (iv) will not result in the creation or imposition of any Lien on any asset of the Guarantor or any of its Subsidiaries.

The Guarantor agrees that the foregoing representations and warranties shall be deemed to have been made by the Guarantor on the date of each borrowing by any Borrower under the Credit Agreement on and as of such date of borrowing as though made hereunder on and as of such date.

9. Authority of Administrative Agent. The Guarantor acknowledges that the rights and responsibilities of the Administrative Agent under this Guarantee with respect to any action taken by the Administrative Agent or the exercise or non-exercise by the Administrative Agent of any option, right, request, judgment or other right or remedy provided for herein or resulting or arising out of this Guarantee shall, as between the Administrative Agent and the Lenders, be governed by the Credit Agreement and by such other agreements with respect thereto as may exist from time to time among them, but, as between the Administrative Agent and the Guarantor, the Administrative Agent shall be conclusively presumed to be acting as Administrative Agent for the Lenders with full and valid authority so to act or refrain from acting, and the Guarantor shall not be under any obligation, or entitlement, to make any inquiry respecting such authority.

10. Notices. All notices, requests and demands to or upon the Administrative Agent, any Lender or the Guarantor to be effective shall be in writing (or by telex, fax or similar electronic transfer confirmed in writing) and shall be deemed to have been duly given or made when delivered by hand or if given by mail, when deposited in the mails by certified mail, return receipt requested, or if by telex, fax or similar electronic transfer, when sent and receipt has been confirmed, addressed as follows:

(a) if to the Administrative Agent or any Lender, at its address or transmission number for notices provided in or pursuant to Section 12.01 of the Credit Agreement; and

(b) if to the Guarantor, at its address or transmission number for notices set forth under its signature below.

The Administrative Agent, each Lender and the Guarantor may change its address and transmission numbers for notices by notice in the manner provided in this Section.

11. Severability. Any provision of this Guarantee which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

12. Integration. This Guarantee represents the agreement of the Guarantor with respect to the subject matter hereof and there are no promises or representations by the Administrative Agent or any Lender relative to the subject matter hereof not reflected herein. This Guarantee amends and restates in its entirety the Guarantee, dated as of December 8, 2000, made by the Guarantor in favor of JPMorgan Chase Bank, N.A. (fka The Chase Manhattan Bank), as administrative agent for the lenders under the Existing Credit Agreement and supersedes and replaces the terms thereof in their entirety.

13. Amendments in Writing; No Waiver; Cumulative Remedies. (a) None of the terms or provisions of this Guarantee may be waived, amended, supplemented or otherwise modified except by a written instrument executed by the Guarantor and the Required Lenders, provided that any provision of this Guarantee may be waived by the Required Lenders in a letter or agreement executed by the Required Lenders or by telex or facsimile transmission from the Administrative Agent.

(b) Neither the Administrative Agent nor any Lender shall by any act (except by a written instrument pursuant to paragraph 13(a) hereof), delay, indulgence, omission or otherwise be deemed to have waived any right or remedy hereunder or to have acquiesced in any Default or Event of Default or in any breach of any of the terms and conditions hereof. No failure to exercise, nor any delay in exercising, on the part of the Administrative Agent or any Lender, any right, power or privilege hereunder shall operate as a waiver thereof. No single or partial exercise of any right, power or privilege hereunder shall preclude any other or further exercise thereof or the exercise of any other right, power or privilege. A waiver by the Administrative

Agent or any Lender of any right or remedy hereunder on any one occasion shall not be construed as a bar to any right or remedy which the Administrative Agent or such Lender would otherwise have on any future occasion.

(c) The rights and remedies herein provided are cumulative, may be exercised singly or concurrently and are not exclusive of any other rights or remedies provided by law.

14. Section Headings. The section headings used in this Guarantee are for convenience of reference only and are not to affect the construction hereof or be taken into consideration in the interpretation hereof.

15. Successors and Assigns. This Guarantee shall be binding upon the successors and assigns of the Guarantor and shall inure to the benefit of the Administrative Agent and the Lenders and their successors and assigns. The Guarantor may not transfer any of its rights or obligations under this Guarantee without the written consent of each Lender.

16. Governing Law. This Guarantee shall be governed by, and construed and interpreted in accordance with, the law of the State of New York.

17. Submission To Jurisdiction; Waivers. Each party hereto hereby irrevocably and unconditionally:

(a) submits for itself and its property in any legal action or proceeding relating to this Guarantee and any other loan documents to which it is a party, or for recognition and enforcement of any judgment in respect thereof, to the non-exclusive general jurisdiction of the Courts of the State of New York, the courts of the United States of America for the Southern District of New York, and appellate courts from any thereof;

(b) consents that any such action or proceeding may be brought in such courts and waives any objection that it may now or hereafter have to the venue of any such action or proceeding in any such court or that such action or proceeding was brought in an inconvenient court and agrees not to plead or claim the same;

(c) agrees that service of process in any such action or proceeding may be effected by mailing a copy thereof by registered or certified mail (or any substantially similar form of mail), postage prepaid, to such party at its address set forth under its signature below or at such other address of which the other parties hereto shall have been notified pursuant thereto;

(d) agrees that nothing herein shall affect the right to effect service of process in any other manner permitted by law or shall limit the right to sue in any other jurisdiction; and

(e) waives, to the maximum extent not prohibited by law, any right it may have to claim or recover in any legal action or proceeding referred to in this subsection any special, exemplary, punitive or consequential damages.

18. **WAIVERS OF JURY TRIAL. THE GUARANTOR, THE ADMINISTRATIVE AGENT AND THE LENDERS HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVE TRIAL BY JURY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS GUARANTEE AND FOR ANY COUNTERCLAIM THEREIN.**

IN WITNESS WHEREOF, the undersigned has caused this Guarantee to be duly executed and delivered by its duly authorized officer as of the day and year first above written.

NAVISTAR INTERNATIONAL CORPORATION

By: /s/ Terry M. Endsley
Name: Terry M. Endsley
Title: Vice President and Treasurer

Address for Notices:
Navistar International Corporation
4201 Winfield Road
Warrenville, IL 60555-4025
Telex: ______________________________
Fax: (630) 753-2573
Attention: Vice President and Treasurer

JPMORGAN CHASE BANK, N.A.,
as Administrative Agent

By /s/ Karen M. Sharf
Name: Karen M. Sharf
Title: Vice President.

EXHIBIT 10

NAVISTAR INTERNATIONAL CORPORATION
AND CONSOLIDATED SUBSIDIARIES

MATERIAL CONTRACTS

The following documents of Navistar International Corporation and its affiliates are filed herewith:

10.60 Supplement No. 3, dated as of June 29, 2005, to Indenture agreement dated October 16, 2000, among Truck Retail Instalment Paper Corp. and The Bank of New York, filed as Exhibit 10.04 to Navistar Financial Corporation's Form 8-K dated September 1, 2005. Commission File No.001-04146.

10.61 Indenture dated as of July 27, 2005, between Navistar Financial 2005-A Owner Trust and The Bank of New York, as Indenture Trustee, with respect to Navistar Financial 2005-A Owner Trust. Filed as Exhibit 4.2 to Navistar Financial 2005-A Owner Trust's Form 8-K dated July 27, 2005. Commission File No. 333-115716-01

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

CERTIFICATION

I, Daniel C. Ustian, certify that:

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

2. Based on my knowledge, this 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 report;

3. Based on my knowledge, the financial statements, and other financial information included in this 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 report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   c) Disclosed in this report any change in the registrant's internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 9, 2005

/s/ Daniel C. Ustian
Daniel C. Ustian
Chairman, President 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 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 report;

3. Based on my knowledge, the financial statements, and other financial information included in this 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 report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    c) Disclosed in this report any change in the registrant's internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 9, 2005

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

EXHIBIT 32.1

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, 2005 as filed with the Securities and Exchange Commission (the “SEC”) on the date hereof (the "Report"), I, Daniel C. Ustian, 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 results of operations of the Company.

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to the Company and will be retained by the Company and furnished to the SEC or its staff upon request.

Date: September 9, 2005

/s/ Daniel C. Ustian
Daniel C. Ustian
Chairman, President and Chief Executive Officer
(Principal Executive Officer)

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, or otherwise subject to the liability of that section. This certification shall also not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent that the Company specifically incorporates it by reference.

EXHIBIT 32.2

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, 2005 as filed with the Securities and Exchange Commission (the “SEC”) 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 results of operations of the Company.

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to the Company and will be retained by the Company and furnished to the SEC or its staff upon request.

Date: September 9, 2005

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

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, or otherwise subject to the liability of that section. This certification shall also not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent that the Company specifically incorporates it by reference.