

AUDIT COMMITTEE CHARTER
NAVISTAR INTERNATIONAL CORPORATION (“CORPORATION”)

PURPOSE

The Audit Committee is appointed by the Board of Directors (“Board”) to assist the Board in fulfilling its responsibility for oversight of (i) the integrity of the financial statements of the Corporation, (ii) the Corporation’s compliance with legal and regulatory requirements, (iii) the independence and qualifications of the Corporation’s public accountant, (iv) the performance of the Corporation’s internal audit function and independent public accountant, and (v) the assessment of business risk management, and for other such duties as directed by the Board.

COMPOSITION

The membership of the Audit Committee shall consist of at least three Directors all of whom will be generally knowledgeable in financial and auditing matters as determined by the Board, including at least one member who shall be a financial expert. Once a year, there will be a written affirmation of compliance to the New York Stock Exchange on the financial literacy of all Audit Committee members and the financial management expertise of at least one member. Each member shall be free of any relationship (including disallowed compensatory arrangements) that, in the opinion of the Board, would interfere with his or her individual exercise of independent judgment, and shall meet the Independent Director requirements as defined in the Board’s Corporate Governance Guidelines and as set forth in the Audit Committee standards proposed by the New York Stock Exchange, as both may be amended over time. An Independent Director appointed by the Board shall chair the Audit Committee. He or she shall be responsible for leadership of the Audit Committee, including determining the agenda for Audit Committee meetings (with input from Committee members and in consultation with management, the chief internal audit executive and the independent auditor), presiding over the meetings, and reporting to the Board. The Chairperson will also maintain regular liaison with the management of the Corporation, the lead independent audit partner and the chief internal audit executive.

AUTHORITY

In discharging its oversight role, the Audit Committee is empowered to investigate any matter within the scope of its responsibilities, with full power to retain outside counsel, advisors, or other experts for this purpose. The Committee shall have sole authority to approve related fees and retention terms.

COMMUNICATIONS/REPORTINGS

In carrying out its responsibilities, the Committee shall have full access to the independent auditor, the internal auditors, the general counsel, any of the Corporation's non-employee attorneys and advisors, and executive and financial management in scheduled joint sessions or private meetings. Similarly, the Corporation's independent auditor, internal auditors, general counsel, and executive and financial management will have full access to the Committee and to the Board of Directors and each is responsible for bringing before this Committee or its Chairperson in a timely manner any matter he/she feels appropriate to the discharge of the Committee's responsibility. The Audit Committee will publish an annual committee report in the Corporation's proxy statement regarding their charter. The Audit Committee Charter will be published as an appendix to the Corporation's proxy statement at least once every three years.

MEETINGS

The Committee will meet at least four times per year, or more frequently as circumstances dictate. The Committee shall meet separately, periodically, with management, with the chief internal audit executive and also with the Corporation's independent auditor to discuss any matters that the Committee or the other party believes should be discussed privately. The Committee shall report its recommendations to the Board after each committee meeting.

RESPONSIBILITIES

In furtherance of its purpose, the Audit Committee shall have the following authority and responsibilities:

1. Review and discuss with management and the independent auditor, the Corporation's annual audited financial statements, quarterly financial statements, and all internal control reports (or summaries thereof) and recommend to the Board the inclusion of the Corporation's audited financial statements in the Corporation's annual report on Form 10-K. The review shall include consideration of the application of the Corporation's accounting principles and their impact on the quality of its financial reporting.
2. Review and discuss with management and the independent auditor the Corporation's Form 10-Qs prior to filing the reports with the SEC.
3. Discuss with management and the independent auditor, as appropriate, corporate policies with respect to earnings press releases, as well as financial information and earnings guidance provided to analysts and to rating agencies. This discussion would include the type of information to be disclosed and type of presentation to be made.

4. In connection with each periodic report of the Corporation, review management's disclosure to the Committee required under §302 of the Sarbanes-Oxley Act with respect to the Corporation's disclosure and internal controls, and the content of the CEO and CFO certifications required by §302 and §906 of the Act.
5. Discuss with management the adequacy of the Corporation's significant reserves and provisions made in connection with the preparation of the Corporation's financial statements.
6. Select the independent public accountant to be retained to audit the financial statements of the Corporation. In so doing, the Audit Committee will request from the public accountant at least annually a written affirmation that the public accountant is in fact independent, and discuss with the public accountant any relationships that may impact the auditor's independence. The Committee shall be directly responsible for the appointment, compensation and oversight of the work of the independent auditor. The Committee shall have the sole authority to approve all audit engagement fees and terms, and the Committee, or the Chairperson, shall pre-approve any permitted non-audit service provided to the Corporation by the independent auditor in accordance with Section 10A(i) of the Securities Exchange Act of 1934. In carrying out its duties under this paragraph, if the Committee approves an audit service within the scope of engagement of the independent auditor, such audit service shall be deemed to have been pre-approved for purposes of this paragraph.
7. Review the auditing services with the independent auditor, including the plan, fees, scope and the results of their auditing engagements.
8. Discuss with the independent auditor and management, as appropriate, any audit problems or difficulties encountered during the course of the audit, and management's response.
9. Obtain and review at least annually a formal written report from the independent auditor delineating: the independent auditor's internal quality-control procedures; any material issues raised within the preceding five years by the independent auditor's internal quality-control reviews, by peer reviews of the firm, or by any governmental or other inquiry or investigation relating to any audit conducted by the firm. The Committee will also review steps taken by the independent auditor to address any findings in any of the foregoing reviews.
10. Set policies for the hiring of employees or former employees of the Corporation's independent auditor.
11. Review the Corporation's programs for compliance with the financial

disclosure requirements of applicable law.

12. Review with management, the chief internal audit executive and the independent auditor the Corporation's processes to maintain an adequate system of internal controls.
13. Review with financial management, the chief internal audit executive and the independent auditor at least annually the Company's critical accounting policies along with any significant changes in GAAP and/or MAP standards.
14. Provide guidance and oversight to the internal audit activities of the Corporation including (i) reviewing the charter, plans, activities, staffing and organizational structure of the internal audit function and (ii) review and approve the appointment and removal of the chief internal audit executive.
15. Review the Board's and the Corporation's compliance with the Corporation's Policy on Ethical Business Conduct and review and approve any waiver of such policy for Directors and senior management of the Corporation.
16. Establish procedures for receiving, retaining and treating confidential and non-confidential complaints by employees about accounting and auditing matters.
17. Review expenses reported by the Board and the executive officers of the Corporation.
18. Discuss with management, the chief internal audit executive and the independent auditor the Corporation's programs and policies with respect to risk assessment and risk management. Such discussions should include the Corporation's major financial and non-financial risk exposures and steps taken by management to monitor and mitigate such exposures, which from time to time, might include: product integrity, employee safety, security, equal employment opportunities, environmental protection, charitable and political contributions, and issues of social responsibility; and periodically conduct an overall risk management review.
19. Discuss with management the status of legal and regulatory matters, taxation matters and other areas of oversight to the legal and compliance area as may be appropriate.

20. Conduct and present to the Board an annual performance evaluation of the Committee.
21. Reassess the Charter at least annually and present to the Board for its formal review and approval any proposed changes.
22. Provide recommendations to the Board regarding any proposal received from any shareowner concerning any of the foregoing matters which the shareowner proposes to present for action by the Corporation's shareowners.
23. Perform such other duties and responsibilities as may be assigned to the Audit Committee by law, the Corporation's charter or bylaws or the Board.

AS ADOPTED BY THE BOARD OF DIRECTORS ON APRIL 22, 2003.