Bier Gregory T.
Form 4
February 01, 2010

FORM 4

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

OMB APPROVAL

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STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
Bier Gregory T.

(Last) (First) (Middle)

6200 SOUTH GILMORE RD

(Street)

FAIRFIELD, OH 45014-5141

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
CINCINNATI FINANCIAL CORP [CINF]

3. Date of Earliest Transaction (Month/Day/Year)
01/28/2010

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

__X__ Director _____ 10% Owner
_____ Officer (give title below) _____ Other (specify below)

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	01/28/2010		A		3,224 (1)	A	$ 0	10,647	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares		

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Bier Gregory T. 6200 SOUTH GILMORE RD FAIRFIELD, OH 45014-5141	X			

Signatures

Gregory T Bier	01/29/2010
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) Restricted shares acquired by grant under Cincinnati Financial Corporation Directors' Stock Plan of 2009.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
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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. Income from the financial services segment improved compared to the first quarter and was consistent with the prior year. The events that impacted the performance of the company's three operating segments will be analyzed, in detail, later in this discussion.

Gross margins from manufacturing operations in the second quarter of 2005 were 14.3%, which was a 4% increase over the second quarter a year ago. Gross margins for the six months ended also showed improvement over the prior year. Improvements in performance and volumes were offset in part by high steel prices and incremental expenses associated with component supply issues. Due to increased industry demand, constraints within the supply base contributed to the company finishing the quarter with approximately the same number of trucks in inventory as in the first quarter of 2005.

Over the comparable three-month period last year, total expenses increased $91 million as a result of higher engineering and selling, general and administrative expenses. Engineering expenses increased $35 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 expenses increased $52 million driven by the addition of several new wholly owned dealers and incremental spending within the truck segment.

The following sections analyze the company's second 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 truck segment also provides customers with proprietary products needed to support the Internationalâ 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.

Navistar International Corporation and Consolidated Subsidiaries

Results of Operations (continued)

Truck (continued)

The following table highlights the truck segment's financial and industry results for the three months and six months ended April 30, 2005 and 2004.

	Three Months Ended April 30		Six Months Ended April 30	
	2005	2004	**2005**	2004
Results (Millions of dollars):				
Sales	**$ 2,226**	$ 1,720	**$ 4,144**	$ 3,147
Segment profit	**94**	70	**149**	79
Industry data (in units) [1]:				
U.S. and Canadian sales (Class 6 through 8)	**104,700**	84,100	**201,100**	157,800
Class 8 heavy truck	**66,400**	51,500	**131,600**	95,800
Class 6 and 7 medium truck [2]	**31,300**	25,900	**56,800**	48,500
School buses	**7,000**	6,700	**12,700**	13,500
Company data (in units):				
U.S. and Canadian sales (Class 6 through 8)	**30,000**	23,600	**56,200**	44,200
Class 8 heavy truck sales	**13,000**	9,600	**25,300**	16,400
Class 6 and 7 medium truck [2]	**12,600**	10,200	**22,900**	19,900
School buses	**4,400**	3,800	**8,000**	7,900
Order backlog (in units)			**25,900**	25,900
Overall U.S. and Canada market share (Class 6 through 8 and bus)	**28.6%**	28.1%	**27.9%**	28.0%

[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 performance in 2005 is the result of increased sales volume within medium and heavy truck and continued cost reductions within its manufacturing processes. While truck segment operating results improved, high commodity costs and engineering expenses for the new LH program negatively impacted profit margins. The company's overall market share in the second quarter of 2005 increased slightly over the comparable period last year. The company's 2005 second quarter Class 8 heavy truck market share has continued to improve, increasing to 20%, an increase of one percentage point over the first quarter of 2005 and the second quarter of 2004. The company's growth within the Class 8 heavy truck market is a direct result of the company's recommitment to the market and our dealer distribution strategy. Market share within medium truck and bus was up slightly. The medium truck market continues to experience pricing competition in a very competitive marketplace. The company's U.S. and Canadian order backlog is unchanged from the comparable period last year.

The company has raised its truck industry forecast for fiscal 2005 from 389,500 units to 408,000 units, which reflects an increase in Class 8 trucks of 11,000 units, an increase in Class 6 and 7 trucks of 9,000 units and a decrease in school buses of 1,500 units. Using the new guidance, 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 Internationalâ 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 six months ended April 30, 2005 and 2004.

	Three Months Ended April 30		Six Months Ended April 30	
	2005	2004	**2005**	2004
Results (Millions of dollars):				
Sales	**$ 863**	$ 703	**$ 1,585**	$ 1,298
Segment profit (loss)	**15**	32	**(4)**	37
Sales data (in units):				
Total engine sales	**127,800**	109,200	**233,500**	200,600
OEM sales	**106,100**	91,100	**194,300**	165,700

The engine segment's sales for the three months ended April 30, 2005 improved 23% 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, was across all product lines. The engine segment's lower profit for the three and six months ended April 30, 2005, is primarily the result of a lower profit margin on the I-6 engine which was launched in the second quarter of 2004 and increased engineering costs related to 2007 emissions compliance. The company's V-8 shipments to Ford accounted for 82% of all year-to-date OEM engine sales as compared to 88% in the comparable period. The 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 10% year-to-date when compared to 2004. Increased sales to other OEMs is due to the company's acquisition of MWM.

The company is updating its forecast for OEM shipments of mid-range diesel engines in fiscal 2005 to be 430,800 units. This is an increase of 18% from our prior forecast for fiscal 2005 of 365,400 units and 20% higher than fiscal 2004. The increase in fiscal 2005 OEM shipments is primarily due to the acquisition of MWM.

Financial Services

Financial Services 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. Financial services 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.

Navistar International Corporation and Consolidated Subsidiaries

Results of Operations (continued)

Financial Services (continued)

The following table highlights the financial services segment's financial results for the three months and six months ended April 30, 2005 and 2004.

	Three Months Ended April 30		Six Months Ended April 30	
	2005	2004	**2005**	2004
Results (Millions of dollars):				
Revenue	**$ 76**	$ 83	**$ 153**	$ 148
Segment profit	**27**	37	**62**	60
Sales of retail receivables	**$ 417**	$ 600	**$ 1,174**	$ 795
Gain on sales of retail receivables	**-**	19	**11**	23

The decrease in segment profit for the three months ended April 30, 2005 is primarily attributable to lower interest rate spreads and the absence of a gain on sales of finance receivables. The increase in segment profit for the six months ended April 30, 2005 is mainly due to higher wholesale note revenue 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 April 30, 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 April 30 2005**
Lease terminations	$ 21	$ (3)	**$ 18**
Dealer terminations and other charges	12	(1)	**11**
Other non-recurring charges	64	(5)	**59**
Total	$ 97	$ (9)	**$ 88**

The remaining liability of $88 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 $9 million with the remaining obligation of $79 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 operating requirements and capital expenditures. 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.

PAGE 33

Navistar International Corporation and Consolidated Subsidiaries

Liquidity and Capital Resources (continued)

Sources and Uses of Cash

Millions of dollars		Six Months Ended April 30, 2005
Cash flow from operating activities	$	8
Cash flow from investment programs		(350)
Cash flow from financing activities		402
Total cash flow	$	60
Cash and cash equivalents, beginning balance	$	605
Cash and cash equivalents, ending balance	$	665
Outstanding capital commitments	$	131

The company had negative working capital of $669 million at April 30, 2005, primarily attributable to a shift in outstanding debt from long-term to short-term since various funding facilities of NFC and its affiliates mature in 2005, compared to working capital of $139 million at April 30, 2004. NFC and its affiliates intend to refinance these facilities prior to their respective maturities. Cash provided by operations during the six months ended totaled $8 million, reflecting net income of $71 million, an increase in accounts payable of $98 million and $120 million of depreciation and amortization, a non-cash item. These amounts were offset by a $95 million increase in receivables due to a net increase in wholesale notes and account balances and a $200 million increase in inventory related to higher truck and engine production volume as well as constraints within the supply base. Cash used in investment programs of $350 million includes a net decrease in retail notes and lease receivables of $381 million related to the timing of the sale of finance receivables, offset by $422 million used for investments in marketable securities and $275 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 $409 million.

In March 2005, the company sold $400 million in Senior Notes due 2012 (Notes). The Notes were sold in a Rule 144A private unregistered offering and priced to yield 6.25 percent. The Notes are guaranteed on a senior unsecured basis by International. The Notes will rank behind in right of payment to 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 may redeem some or all of the Notes at any time on or after March 1, 2009 at redemption prices set forth in the offering memorandum. The company may also redeem up to 35 percent of the aggregate principal amount of the Notes using the proceeds of certain equity offerings completed before March 1, 2008.

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.

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 April 30, 2005, NFC's funding consisted of sold finance receivables of $4,204 million, bank and other borrowings of $1,189 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.

Liquidity and Capital Resources (continued)

Financial Services (continued)

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 six months of 2005, NFC sold $1,174 million of retail notes and finance leases, net of unearned finance income, for a pre-tax gain of $11 million. The receivables were sold through NFRRC to an owner trust which, in turn, issued asset-backed securities that were sold to investors. At April 30, 2005, the remaining shelf registration available to NFRRC for the public issuance of asset-backed securities was $3,250 million.

The following are the funding facilities, in millions, that NFC and its related affiliates have in place as of April 30, 2005.

Company	Instrument type	Total Amount	Purpose of funding	Amount utilized	Matures or expires
TERFCO	Trust	$ 100	Unsecured Ford trade receivables	$ 100	2005
NFSC	Revolving wholesale note trust	$1,642	Eligible wholesale notes	$ 1,167	2005 through 2008
TRAC	Revolving retail account conduit	$ 100	Eligible retail accounts	$ 100	2005
TRIP	Revolving retail facility	$ 500	Retail notes and leases	$ -	2005
NFC	Revolving credit facilities	$ 820	Retail notes and leases	$ 713	2005

As of April 30, 2005, the aggregate available to fund finance receivables under the various facilities was $1,082 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).

Explanation of Responses:

PAGE 35

Navistar International Corporation and Consolidated Subsidiaries

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 policies since October 31, 2004.

Contractual Obligations

In March 2005, the company sold $400 million in Senior Notes due 2012 (Notes). The Notes were sold in a Rule 144A private unregistered offering and priced to yield 6.25 percent. The Notes are guaranteed on a senior unsecured basis by International. The Notes will rank behind in right of payment to 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 may redeem some or all of the Notes at any time on or after March 1, 2009 at redemption prices set forth in the offering memorandum. The company may also redeem up to 35 percent of the aggregate principal amount of the Notes using the proceeds of certain equity offerings completed before March 1, 2008.

Income Taxes

The Statement of Financial Condition at April 30, 2005, includes a deferred tax asset of $1,480 million, net of valuation allowances of $76 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 and will determine the effect, if any, this Statement may have on its results of operations, financial condition or cash flows.

New Accounting Pronouncements (continued)

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 (FSP's) 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. 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 is evaluating the impact, if any, these FSP's may have on its results of operations, financial condition or cash flows.

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.

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.

Navistar International Corporation and Consolidated Subsidiaries

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 April 30, 2005, the net fair value of these instruments would decrease by approximately $37 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. In the first two quarters of 2005, steel prices were higher than 2004, but the company expects prices to level off during the year. The company estimates the cost of steel will have an impact of approximately $100 million on its cost structure in 2005.

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 April 30, 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 April 30, 2005. Based on that evaluation, the principal executive officer and principal financial officer of the company concluded that, as of April 30, 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 April 30, 2005 that have materially affected, or are reasonably likely to materially affect, the company's internal control over financial reporting except for the controls relating to securitization accounting at NFC. In response to the identified weakness, NFC added additional levels of review in its financial reporting process and accessed external resources to provide immediate improvements relative to accounting for securitizations. NFC is in the process of adding internal accounting personnel with securitization experience.

Navistar International Corporation and Consolidated Subsidiaries

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

PAGE 39

Navistar International Corporation and Consolidated Subsidiaries

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 1420 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 $31.865 to $39.90 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, $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.

The following table sets forth information with respect to purchases of shares of the company's common stock made during the quarter ended April 30, 2005 by or on behalf of the company.

Issuer Purchase of Equity Securities

Period	Total Number of Shares (or Units) Purchased (1)	Average Price Paid Per Share (or Unit)	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
2/1/05 - 2/28/05	2,734	$ 38.304	0	0
3/1/05 - 3/31/05	23,028	$ 42.324	0	0
4/1/05 - 4/30/05	544	$ 32.936	0	0

(1) The total number of shares purchased is due to shares delivered to or withheld by the company in connection with stock-for-stock stock option exercises and employee payroll tax withholding upon exercise of stock options, vesting of restricted stock, and settlement of restricted stock units.

Navistar International Corporation and Consolidated Subsidiaries

PART II - OTHER INFORMATION

Item 4. Submission of Matters to a Vote of Security Holders

At the company's Annual Meeting of Shareowners on March 23, 2005, the following nominees were elected to the board of directors to serve three-year terms expiring at the 2008 Annual Meeting of Shareowners and until their successors are duly elected and qualified. There were no broker non-votes or abstentions with respect to this matter. The results of the voting for the election of directors were as follows:

Nominee	Votes For	Votes Withheld
Eugenio Clariond	54,883,954	3,333,319
John D. Correnti	54,739,492	3,477,781
Daniel C. Ustian	56,862,532	1,354,741

Accordingly, the three nominees received a plurality of the votes cast in the election of directors at the meeting and were elected. The names of the remaining directors who did not stand for election at the Annual Meeting and whose terms of office as directors continued after such meeting are Michael N. Hammes, James H. Keyes, Southwood J. Morcott, Y. Marc Belton, Dr. Abbie J. Griffin, Robert C. Lannert and David McAllister.

A second proposal put before the Shareowners at the Annual Meeting was the ratification of the selection of Deloitte & Touche, LLP as the company's independent auditors for the fiscal year ending October 31, 2005. The results of voting for the ratification of Deloitte & Touche, LLP as the company's independent auditors for the fiscal year ending October 31, 2005 were as follows:

Votes For	Votes Against	Votes Abstained
57,163,971	696,598	356,704

Accordingly, the number of affirmative votes cast on the proposal constituted more than a majority of the votes cast on the proposal at the Annual Meeting and the proposal was approved.

A third proposal put before the Shareowners at the Annual Meeting was the approval of certain amendments to the company's 2004 Performance Incentive Plan. The results of voting for the approval of the amendments to the company's 2004 Performance Incentive Plan were as follows:

Votes For	Votes Against	Votes Abstained	Broker Non-Votes
30,649,774	18,123,654	382,117	9,061,728

Accordingly, the number of affirmative votes cast on the proposal constituted more than a majority of the votes cast on the proposal at the Annual Meeting and the proposal was approved.

Navistar International Corporation and Consolidated Subsidiaries

PART II - OTHER INFORMATION

Item 6.	**Exhibits**	Page
	(a) Exhibits:	
	3. Articles of Incorporation and By-Laws	E-1
	4. Instruments Defining the Rights of Security Holders, Including Indentures	E-2
	10. Material Contracts	E-7
	11. Computation of Earnings per Share (incorporated by reference from Note O to the Financial Statements)	19
	31.1 CEO Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	E-9
	31.2 CFO Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	E-10
	32.1 CEO Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	E-11
	32.2 CFO Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	E-12

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: June 9, 2005

/s/ Mark T. Schwetschenau

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