PACCAR INC
Form 10-Q
August 06, 2015
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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 June 30, 2015

Commission File No. 001-14817

PACCAR Inc

(Exact name of registrant as specified in its charter)

Delaware	**91-0351110**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
777 - 106th Ave. N.E., Bellevue, WA	**98004**
(Address of principal executive offices)	**(Zip Code)**

(425) 468-7400

(Registrant s telephone number, including area code)

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 (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer x	Accelerated filer ¨
Non-accelerated filer ¨	Smaller reporting company ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date.

Common Stock, $1 par value 354,968,454 shares as of July 31, 2015

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Consolidated Statements of Comprehensive Income (Unaudited)

(Millions Except Per Share Amounts)

	Three Months Ended June 30		Six Months Ended June 30	
	2015	2014	**2015**	2014
TRUCK, PARTS AND OTHER:				
Net sales and revenues	**$ 4,786.1**	$ 4,267.0	**$ 9,334.1**	$ 8,353.2
Cost of sales and revenues	**4,061.2**	3,719.4	**7,971.4**	7,314.9
Research and development	**59.3**	49.9	**115.5**	102.6
Selling, general and administrative	**108.2**	114.8	**217.7**	236.2
Interest and other expense (income), net	**1.3**	(.9)	**5.8**	.5
	4,230.0	3,883.2	**8,310.4**	7,654.2
Truck, Parts and Other Income Before Income Taxes	**556.1**	383.8	**1,023.7**	699.0
FINANCIAL SERVICES:				
Interest and fees	**111.1**	114.7	**222.0**	227.6
Operating lease, rental and other revenues	**182.7**	187.9	**356.5**	368.7
Revenues	**293.8**	302.6	**578.5**	596.3
Interest and other borrowing expenses	**29.6**	33.7	**58.7**	70.3
Depreciation and other expense	**145.9**	148.4	**286.3**	292.7
Selling, general and administrative	**23.9**	24.8	**47.4**	48.4
Provision for losses on receivables	**3.6**	4.0	**6.3**	7.7
	203.0	210.9	**398.7**	419.1
Financial Services Income Before Income Taxes	**90.8**	91.7	**179.8**	177.2
Investment income	**5.3**	5.5	**10.4**	11.3

Total Income Before Income Taxes		**652.2**		481.0		**1,213.9**		887.5
Income taxes		**205.0**		161.8		**388.3**		294.4
Net Income	**$**	**447.2**	$	319.2	**$**	**825.6**	$	593.1
Net Income Per Share								
Basic	**$**	**1.26**	$	.90	**$**	**2.32**	$	1.67
Diluted	**$**	**1.26**	$	.90	**$**	**2.32**	$	1.67
Weighted Average Number of Common Shares Outstanding								
Basic		**355.3**		355.1		**355.2**		355.0
Diluted		**356.3**		356.3		**356.2**		356.2
Dividends declared per share	**$**	**.22**	$	.22	**$**	**.44**	$	.42
Comprehensive Income	**$**	**554.9**	$	368.7	**$**	**595.8**	$	647.9

See Notes to Consolidated Financial Statements.

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Consolidated Balance Sheets (Millions)

	June 30 2015 (Unaudited)	December 31 2014*
ASSETS		
TRUCK, PARTS AND OTHER:		
Current Assets		
Cash and cash equivalents	**$ 1,877.7**	$ 1,665.1
Trade and other receivables, net	**1,228.1**	1,047.1
Marketable debt securities	**1,397.3**	1,272.0
Inventories, net	**888.2**	925.7
Other current assets	**363.4**	290.5
Total Truck, Parts and Other Current Assets	**5,754.7**	5,200.4
Equipment on operating leases, net	**924.5**	934.5
Property, plant and equipment, net	**2,162.4**	2,313.3
Other noncurrent assets, net	**274.3**	253.3
Total Truck, Parts and Other Assets	**9,115.9**	8,701.5
FINANCIAL SERVICES:		
Cash and cash equivalents	**85.4**	72.5
Finance and other receivables, net	**9,313.1**	9,042.6
Equipment on operating leases, net	**2,369.0**	2,306.0
Other assets	**531.9**	496.2
Total Financial Services Assets	**12,299.4**	11,917.3
	$ 21,415.3	$ 20,618.8

* The December 31, 2014 consolidated balance sheet has been derived from audited financial statements.
See Notes to Consolidated Financial Statements.

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Consolidated Balance Sheets (Millions)

	June 30 2015 (Unaudited)	December 31 2014*
LIABILITIES AND STOCKHOLDERS EQUITY		
TRUCK, PARTS AND OTHER:		
Current Liabilities		
Accounts payable, accrued expenses and other	**$ 2,647.2**	$ 2,297.2
Dividend payable		354.4
Total Truck, Parts and Other Current Liabilities	**2,647.2**	2,651.6
Residual value guarantees and deferred revenues	**961.4**	970.9
Other liabilities	**710.2**	718.8
Total Truck, Parts and Other Liabilities	**4,318.8**	4,341.3
FINANCIAL SERVICES:		
Accounts payable, accrued expenses and other	**395.7**	384.5
Commercial paper and bank loans	**2,656.4**	2,641.9
Term notes	**5,914.2**	5,588.7
Deferred taxes and other liabilities	**911.6**	909.2
Total Financial Services Liabilities	**9,877.9**	9,524.3
STOCKHOLDERS EQUITY:		
Preferred stock, no par value - authorized 1.0 million shares, none issued		
Common stock, $1 par value - authorized 1.2 billion shares, issued 354.9 million and 355.2 million shares	**354.9**	355.2
Additional paid-in capital	**140.2**	156.7
Treasury stock, at cost - nil and .7 million shares		(42.7)
Retained earnings	**7,533.1**	6,863.8
Accumulated other comprehensive loss	**(809.6)**	(579.8)
Total Stockholders Equity	**7,218.6**	6,753.2

	$ 21,415.3	$ 20,618.8

* The December 31, 2014 consolidated balance sheet has been derived from audited financial statements.
See Notes to Consolidated Financial Statements.

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Condensed Consolidated Statements of Cash Flows (Unaudited)

(Millions)

	Six Months Ended June 30	
	2015	2014
OPERATING ACTIVITIES:		
Net income	**$ 825.6**	$ 593.1
Adjustments to reconcile net income to cash provided by operations:		
Depreciation and amortization:		
Property, plant and equipment	**146.2**	133.0
Equipment on operating leases and other	**302.2**	314.5
Provision for losses on financial services receivables	**6.3**	7.7
Other, net	**(45.0)**	(33.0)
Pension contributions	**(55.7)**	(8.3)
Change in operating assets and liabilities:		
Trade and other receivables	**(216.0)**	(206.5)
Wholesale receivables on new trucks	**(353.4)**	64.8
Sales-type finance leases and dealer direct loans on new trucks	**33.2**	(6.3)
Inventories	**1.5**	(152.0)
Accounts payable and accrued expenses	**481.3**	122.4
Income taxes, warranty and other	**60.9**	11.4
Net Cash Provided by Operating Activities	**1,187.1**	840.8
INVESTING ACTIVITIES:		
Originations of retail loans and direct financing leases	**(1,455.9)**	(1,471.4)
Collections on retail loans and direct financing leases	**1,339.0**	1,387.5
Net (increase) decrease in wholesale receivables on used equipment	**(11.8)**	4.6
Purchases of marketable securities	**(711.0)**	(619.1)
Proceeds from sales and maturities of marketable securities	**516.6**	549.3
Payments for property, plant and equipment	**(99.4)**	(158.0)
Acquisitions of equipment for operating leases	**(733.3)**	(533.9)
Proceeds from asset disposals	**241.1**	187.8
Net Cash Used in Investing Activities	**(914.7)**	(653.2)
FINANCING ACTIVITIES:		
Payments of cash dividends	**(510.5)**	(467.8)

Proceeds from stock compensation transactions	**12.7**	13.3
Net increase in commercial paper and short-term bank loans	**106.3**	243.7
Proceeds from long-term debt	**1,306.3**	951.5
Payments of long-term debt	**(909.5)**	(1,306.4)
Net Cash Provided by (Used in) Financing Activities	**5.3**	(565.7)
Effect of exchange rate changes on cash	**(52.2)**	8.3
Net Increase (Decrease) in Cash and Cash Equivalents	**225.5**	(369.8)
Cash and cash equivalents at beginning of period	**1,737.6**	1,750.1
Cash and cash equivalents at end of period	**$ 1,963.1**	$ 1,380.3

See Notes to Consolidated Financial Statements.

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Notes to Consolidated Financial Statements (Unaudited) (Millions, Except Share Amounts)

NOTE A - Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles (GAAP) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three and six months ended June 30, 2015 are not necessarily indicative of the results that may be expected for the year ending December 31, 2015. For further information, refer to the consolidated financial statements and footnotes included in PACCAR Inc s (PACCAR or the Company) Annual Report on Form 10-K for the year ended December 31, 2014.

Earnings per Share: Basic earnings per common share are computed by dividing earnings by the weighted average number of common shares outstanding, plus the effect of any participating securities. Diluted earnings per common share are computed assuming that all potentially dilutive securities are converted into common shares under the treasury stock method. The dilutive and antidilutive options are shown separately in the table below.

	Three Months Ended June 30		**Six Months Ended June 30**	
	2015	2014	**2015**	2014
Additional shares	**1,022,200**	1,154,100	**1,022,000**	1,129,400
Antidilutive options	**551,100**	655,800	**583,400**	661,700

New Accounting Pronouncements: In July 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2015-11, *Inventory (Topic 330) Simplifying the Measurement of Inventory*. This ASU applies to all inventories except for inventory measured using last-in, first-out (LIFO) or the retail inventory method. This ASU requires inventory to be measured at the lower of cost or net realizable value. Net realizable value is defined as estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. This ASU is effective for annual periods beginning after December 15, 2016, and early adoption is permitted. The Company does not expect the adoption of this ASU to have a material impact on its consolidated financial statements.

In May 2015, the FASB issued ASU 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*. This ASU eliminates the requirement to include investments in the fair value hierarchy for which fair value is measured using the net asset value per share practical expedient under Topic 820. This ASU is effective for annual periods beginning after December 15, 2015, and early adoption is permitted. This ASU will not affect the Company s consolidated financial statements but will result in changes to footnote disclosures.

In April 2015, the FASB issued ASU 2015-05, *Intangibles Goodwill and Other Internal-Use Software (Subtopic 350-40): Customer s Accounting for Fees Paid in a Cloud Computing Arrangement.* This ASU requires the Company to account for cloud arrangement costs as an acquisition of software if the arrangement includes a software license; otherwise the arrangement should be accounted for as a service contract. This ASU is effective for annual periods and

interim periods beginning after December 15, 2015, and early adoption is permitted. The Company does not expect the adoption of this ASU to have a material impact on its consolidated financial statements.

In April 2015, the FASB issued ASU 2015-03, *Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*. This ASU requires debt issuance costs related to a recognized debt liability to be presented in the balance sheet as a direct deduction from the carrying amount of the related debt liability instead of being presented as an asset. The recognition and measurement of debt issuance costs are not affected by this amendment. This ASU is effective for annual periods and interim periods beginning after December 15, 2015, and early adoption is permitted. The Company does not expect the adoption of this ASU to have a material impact on its consolidated financial statements.

Notes to Consolidated Financial Statements (Unaudited) (Millions, Except Share Amounts)

In June 2014, the FASB issued ASU 2014-12, *Compensation Stock Compensation (Topic 718): Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved After the Requisite Service Period*. The amendment in this ASU requires that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. As such, the performance target should not be reflected in estimating the grant-date fair value of the award. Compensation costs should be recognized in the period in which it becomes probable that the performance target will be achieved and should represent the compensation cost attributable to the period(s) for which the requisite service has been rendered. This ASU is effective for annual periods and interim periods beginning after December 15, 2015, and early adoption is permitted. This amendment may be applied (a) prospectively to all awards granted or modified after the effective date or (b) retrospectively to all awards with performance targets that are outstanding as of the beginning of the earliest annual period presented in the financial statements and to all new or modified awards thereafter. The Company does not expect the adoption of this ASU to have a material impact on its consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*. This ASU amends the existing accounting standards for revenue recognition. Under the new revenue recognition model, a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. In July 2015, the FASB deferred the effective date of this ASU by one year to annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. Early adoption is permitted, but no sooner than the original effective date of annual and interim periods beginning after December 15, 2016. The amendment may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect recognized as of the date of initial application. The Company is currently evaluating the transition alternatives and impact on the Company s consolidated financial statements.

NOTE B - Investments in Marketable Debt Securities

The Company s investments in marketable debt securities are classified as available-for-sale. These investments are stated at fair value with any unrealized gains or losses, net of tax, included as a component of accumulated other comprehensive loss (AOCI).

The Company utilizes third-party pricing services for all of its marketable debt security valuations. The Company reviews the pricing methodology used by the third-party pricing services including the manner employed to collect market information. On a quarterly basis, the Company also performs review and validation procedures on the pricing information received from the third-party providers. These procedures help ensure that the fair value information used by the Company is determined in accordance with applicable accounting guidance.

The Company evaluates its investment in marketable debt securities at the end of each reporting period to determine if a decline in fair value is other than temporary. Realized losses are recognized upon management s determination that a decline in fair value is other than temporary. The determination of other-than-temporary impairment is a subjective process, requiring the use of judgments and assumptions regarding the amount and timing of recovery. The Company reviews and evaluates its investments at least quarterly to identify investments that have indications of

other-than-temporary impairments. It is reasonably possible that a change in estimate could occur in the near term relating to other-than-temporary impairment. Accordingly, the Company considers several factors when evaluating debt securities for other-than-temporary impairment, including whether the decline in fair value of the security is due to increased default risk for the specific issuer or market interest rate risk.

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Notes to Consolidated Financial Statements (Unaudited) (Millions, Except Share Amounts)

In assessing default risk, the Company considers the collectability of principal and interest payments by monitoring changes to issuers credit ratings, specific credit events associated with individual issuers as well as the credit ratings of any financial guarantor, and the extent and duration to which amortized cost exceeds fair value.

In assessing market interest rate risk, including benchmark interest rates and credit spreads, the Company considers its intent for selling the securities and whether it is more likely than not the Company will be able to hold these securities until the recovery of any unrealized losses.

Marketable debt securities at June 30, 2015 and December 31, 2014 consisted of the following:

At June 30, 2015	**Amortized Cost**	**Unrealized Gains**	**Unrealized Losses**	**Fair Value**
U.S. tax-exempt securities	**$ 495.6**	**$ 1.0**	**$ .3**	**$ 496.3**
U.S. corporate securities	**74.5**	**.2**	**.1**	**74.6**
U.S. government and agency securities	**8.1**	**.1**		**8.2**
Non-U.S. corporate securities	**551.8**	**2.6**	**.5**	**553.9**
Non-U.S. government securities	**178.5**	**1.4**	**.1**	**179.8**
Other debt securities	**84.1**	**.4**		**84.5**
	$ 1,392.6	**$ 5.7**	**$ 1.0**	**$ 1,397.3**

At December 31, 2014	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
U.S. tax-exempt securities	$ 362.9	$ .8	$ .3	$ 363.4
U.S. corporate securities	80.9	.6		81.5
U.S. government and agency securities	8.0			8.0
Non-U.S. corporate securities	528.1	3.9		532.0
Non-U.S. government securities	192.1	2.0		194.1
Other debt securities	92.8	.3	.1	93.0
	$ 1,264.8	$ 7.6	$ .4	$ 1,272.0

The cost of marketable debt securities is adjusted for amortization of premiums and accretion of discounts to maturity. Amortization, accretion, interest and dividend income and realized gains and losses are included in investment income. The cost of securities sold is based on the specific identification method. Gross realized gains were $1.2 and $.6 for the six months ended June 30, 2015 and 2014, respectively, and gross realized losses were $.1 for both six month periods ended June 30, 2015 and 2014.

Marketable debt securities with continuous unrealized losses and their related fair values were as follows:

	June 30, 2015		December 31, 2014	
	Less than Twelve Months	**Twelve Months or Greater**	Less than Twelve Months	Twelve Months or Greater
Fair value	**$ 409.0**		$ 249.6	
Unrealized losses	**1.0**		.4	

For the investment securities in gross unrealized loss positions identified above, the Company does not intend to sell the investment securities. It is more likely than not that the Company will not be required to sell the investment securities before recovery of the unrealized losses, and the Company expects that the contractual principal and interest will be received on the investment securities. As a result, the Company recognized no other-than-temporary impairments during the periods presented.

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Notes to Consolidated Financial Statements (Unaudited) (Millions, Except Share Amounts)

Contractual maturities on marketable debt securities at June 30, 2015 were as follows:

Maturities:		Amortized Cost		Fair Value
Within one year	$	394.1	$	394.8
One to five years		998.3		1,002.3
Six to ten years		.2		.2
	$	1,392.6	$	1,397.3

NOTE C - Inventories

Inventories are stated at the lower of cost or market. Cost of inventories in the U.S. is determined principally by the last-in, first-out (LIFO) method. Cost of all other inventories is determined principally by the first-in, first-out (FIFO) method.

Inventories include the following:

		June 30 2015		December 31 2014
Finished products	$	478.1	$	512.3
Work in process and raw materials		585.1		587.7
		1,063.2		1,100.0
Less LIFO reserve		(175.0)		(174.3)
	$	888.2	$	925.7

Under the LIFO method of accounting (used for approximately 48% of June 30, 2015 inventories), an actual valuation can be made only at the end of each year based on year-end inventory levels and costs. Accordingly, interim valuations are based on management s estimates of those year-end amounts.

NOTE D - Finance and Other Receivables

Finance and other receivables include the following:

	June 30 2015	December 31 2014
Loans	**$ 3,960.9**	$ 3,968.5
Direct financing leases	**2,722.6**	2,752.8
Sales-type finance leases	**933.8**	972.8
Dealer wholesale financing	**2,055.9**	1,755.8
Operating lease receivables and other	**131.2**	99.5
Unearned interest: Finance leases	**(371.0)**	(384.8)
	$ 9,433.4	$ 9,164.6
Less allowance for losses:		
Loans and leases	**(102.7)**	(105.5)
Dealer wholesale financing	**(8.7)**	(9.0)
Operating lease receivables and other	**(8.9)**	(7.5)
	$ 9,313.1	$ 9,042.6

Notes to Consolidated Financial Statements (Unaudited) (Millions, Except Share Amounts)

Recognition of interest income and rental revenue is suspended (put on non-accrual status) when the receivable becomes more than 90 days past the contractual due date or earlier if some other event causes the Company to determine that collection is not probable. Accordingly, no finance receivables more than 90 days past due were accruing interest at June 30, 2015 or December 31, 2014. Recognition is resumed if the receivable becomes current by the payment of all amounts due under the terms of the existing contract and collection of remaining amounts is considered probable (if not contractually modified) or if the customer makes scheduled payments for three months and collection of remaining amounts is considered probable (if contractually modified). Payments received while the finance receivable is on non-accrual status are applied to interest and principal in accordance with the contractual terms.

Allowance for Credit Losses

The Company continuously monitors the payment performance of its finance receivables. For large retail finance customers and dealers with wholesale financing, the Company regularly reviews their financial statements and makes site visits and phone contact as appropriate. If the Company becomes aware of circumstances that could cause those customers or dealers to face financial difficulty, whether or not they are past due, the customers are placed on a watch list.

The Company modifies loans and finance leases as a normal part of its Financial Services operations. The Company may modify loans and finance leases for commercial reasons or for credit reasons. Modifications for commercial reasons are changes to contract terms for customers that are not considered to be in financial difficulty. Insignificant delays are modifications extending terms up to three months for customers experiencing some short-term financial stress, but not considered to be in financial difficulty. Modifications for credit reasons are changes to contract terms for customers considered to be in financial difficulty. The Company s modifications typically result in granting more time to pay the contractual amounts owed and charging a fee and interest for the term of the modification.

On average, modifications extended contractual terms by approximately eight months in 2015 and five months in 2014 and did not have a significant effect on the weighted average term or interest rate of the total portfolio at June 30, 2015 and December 31, 2014.

When considering whether to modify customer accounts for credit reasons, the Company evaluates the creditworthiness of the customers and modifies those accounts that the Company considers likely to perform under the modified terms. When the Company modifies loans and finance leases for credit reasons and grants a concession, the modifications are classified as troubled debt restructurings (TDR). The Company does not typically grant credit modifications for customers that do not meet minimum underwriting standards since the Company normally repossesses the financed equipment in these circumstances. When such modifications do occur, they are considered TDRs.

The Company has developed a systematic methodology for determining the allowance for credit losses for its two portfolio segments, retail and wholesale. The retail segment consists of retail loans and direct and sales-type finance leases, net of unearned interest. The wholesale segment consists of truck inventory financing loans to dealers that are

collateralized by trucks and other collateral. The wholesale segment generally has less risk than the retail segment. Wholesale receivables generally are shorter in duration than retail receivables, and the Company requires monthly reporting of the wholesale dealer s financial condition, conducts periodic audits of the trucks being financed and in many cases, obtains personal guarantees or other security such as dealership assets. In determining the allowance for credit losses, retail loans and finance leases are evaluated together since they relate to a similar customer base, their contractual terms require regular payment of principal and interest, generally over 36 to 60 months, and they are secured by the same type of collateral. The allowance for credit losses consists of both specific and general reserves.

The Company individually evaluates certain finance receivables for impairment. Finance receivables that are evaluated individually for impairment consist of all wholesale accounts and certain large retail accounts with past due balances or otherwise determined to be at a higher risk of loss. A finance receivable is impaired if it is considered probable the Company will be unable to collect all contractual interest and principal payments as scheduled. In addition, all retail loans and leases which have been classified as TDRs and all customer accounts over 90 days past due are considered impaired. Generally, impaired accounts are on non-accrual status. Impaired accounts classified as TDRs which have been performing for 90 consecutive days are placed on accrual status if it is deemed probable that the Company will collect all principal and interest payments.

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Notes to Consolidated Financial Statements (Unaudited) (Millions, Except Share Amounts)

Impaired receivables are generally considered collateral dependent. Large balance retail and all wholesale impaired receivables are individually evaluated to determine the appropriate reserve for losses. The determination of reserves for large balance impaired receivables considers the fair value of the associated collateral. When the underlying collateral fair value exceeds the Company s recorded investment, no reserve is recorded. Small balance impaired receivables with similar risk characteristics are evaluated as a separate pool to determine the appropriate reserve for losses using the historical loss information discussed below.

For finance receivables that are not individually impaired, the Company collectively evaluates and determines the general allowance for credit losses for both retail and wholesale receivables based on historical loss information, using past due account data and current market conditions. Information used includes assumptions regarding the likelihood of collecting current and past due accounts, repossession rates, the recovery rate on the underlying collateral based on used truck values and other pledged collateral or recourse. The Company has developed a range of loss estimates for each of its country portfolios based on historical experience, taking into account loss frequency and severity in both strong and weak truck market conditions. A projection is made of the range of estimated credit losses inherent in the portfolio from which an amount is determined as probable based on current market conditions and other factors impacting the creditworthiness of the Company s borrowers and their ability to repay. After determining the appropriate level of the allowance for credit losses, a provision for losses on finance receivables is charged to income as necessary to reflect management s estimate of incurred credit losses, net of recoveries, inherent in the portfolio.

In determining the fair value of the collateral, the Company uses a pricing matrix and categorizes the fair value as Level 2 in the hierarchy of fair value measurement. The pricing matrix is reviewed quarterly and updated as appropriate. The pricing matrix considers the make, model and year of the equipment as well as recent sales prices of comparable equipment through wholesale channels to the Company s dealers (principal market). The fair value of the collateral also considers the overall condition of the equipment.

Accounts are charged-off against the allowance for credit losses when, in the judgment of management, they are considered uncollectible (generally upon repossession of the collateral). Typically the timing between the repossession and charge-off is not significant. In cases where repossession is delayed (e.g., for legal proceedings), the Company records partial charge-offs. The charge-off is determined by comparing the fair value of the collateral, less cost to sell, to the recorded investment.

For the following credit quality disclosures, finance receivables are classified into two portfolio segments, wholesale and retail. The retail portfolio is further segmented into dealer retail and customer retail. The dealer wholesale segment consists of truck inventory financing to PACCAR dealers. The dealer retail segment consists of loans and leases to participating dealers and franchises that use the proceeds to fund customers acquisition of commercial vehicles and related equipment. The customer retail segment consists of loans and leases directly to customers for the acquisition of commercial vehicles and related equipment. Customer retail receivables are further segregated between fleet and owner/operator classes. The fleet class consists of customer retail accounts operating more than five trucks. All other customer retail accounts are considered owner/operator. These two classes have similar measurement attributes, risk characteristics and common methods to monitor and assess credit risk.

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Notes to Consolidated Financial Statements (Unaudited) (Millions, Except Share Amounts)

The allowance for credit losses is summarized as follows:

	2015				
	Dealer		Customer		
	Wholesale	Retail	Retail	Other*	Total
Balance at January 1	**$ 9.0**	**$ 11.9**	**$ 93.6**	**$ 7.5**	**$ 122.0**
Provision for losses	**.2**	**(.5)**	**5.2**	**1.4**	**6.3**
Charge-offs			**(5.2)**	**(.9)**	**(6.1)**
Recoveries			**1.5**	**.2**	**1.7**
Currency translation and other	**(.5)**	**(.1)**	**(3.7)**	**.7**	**(3.6)**
Balance at June 30	**$ 8.7**	**$ 11.3**	**$ 91.4**	**$ 8.9**	**$ 120.3**

	2014				
	Dealer		Customer		
	Wholesale	Retail	Retail	Other*	Total
Balance at January 1	$ 10.4	$ 13.4	$ 97.5	$ 8.0	$ 129.3
Provision for losses	(.2)	(.5)	7.3	1.1	7.7
Charge-offs			(7.6)	(1.7)	(9.3)
Recoveries			2.6	.3	2.9
Currency translation and other			.5		.5
Balance at June 30	$ 10.2	$ 12.9	$ 100.3	$ 7.7	$ 131.1

* Operating leases and other trade receivables.

Information regarding finance receivables evaluated and determined individually and collectively is as follows:

	Dealer		Customer	
At June 30, 2015	**Wholesale**	**Retail**	**Retail**	**Total**
Recorded investment for impaired finance receivables evaluated individually	**$ 4.3**		**$ 47.4**	**$ 51.7**
	.6		**4.2**	**4.8**

Allowance for impaired finance receivables determined individually							
Recorded investment for finance receivables evaluated collectively		**2,051.6**	**$**	**1,560.9**		**5,638.0**	**9,250.5**
Allowance for finance receivables determined collectively		**8.1**		**11.3**		**87.2**	**106.6**

At December 31, 2014		Dealer Wholesale		Retail		Customer Retail		Total
Recorded investment for impaired finance receivables evaluated individually	$	4.9			$	43.7	$	48.6
Allowance for impaired finance receivables determined individually		.5				4.6		5.1
Recorded investment for finance receivables evaluated collectively		1,750.9	$	1,606.5		5,659.1		9,016.5
Allowance for finance receivables determined collectively		8.5		11.9		89.0		109.4

Notes to Consolidated Financial Statements (Unaudited) (Millions, Except Share Amounts)

The recorded investment for finance receivables that are on non-accrual status is as follows:

	June 30 2015	December 31 2014
Dealer:		
Wholesale	**$ 4.3**	$ 4.9
Customer retail:		
Fleet	**35.6**	34.4
Owner/operator	**8.6**	8.9
	$ 48.5	$ 48.2

Impaired Loans

Impaired loans with no specific reserves were $11.9 and $16.7 at June 30, 2015 and December 31, 2014, respectively. Impaired loans with a specific reserve are summarized below. The impaired loans with specific reserve represent the unpaid principal balance. The recorded investment of impaired loans as of June 30, 2015 and December 31, 2014 was not significantly different than the unpaid principal balance.

	Dealer		Customer Retail		
At June 30, 2015	**Wholesale**	**Retail**	**Fleet**	**Owner/ Operator**	**Total**
Impaired loans with a specific reserve	**$ 4.3**		**$ 14.9**	**$ 2.2**	**$ 21.4**
Associated allowance	**(.6)**		**(1.8)**	**(.4)**	**(2.8)**
Net carrying amount of impaired loans	**$ 3.7**		**$ 13.1**	**$ 1.8**	**$ 18.6**
Average recorded investment*	**$ 7.2**		**$ 24.4**	**$ 2.5**	**$ 34.1**

* Represents the average during the 12 months ended June 30, 2015.

	Dealer		Customer Retail		
At December 31, 2014	Wholesale	Retail	Fleet	Owner/ Operator	Total
Impaired loans with a specific reserve	$ .5		$ 12.7	$ 2.6	$ 15.8
Associated allowance	(.5)		(1.5)	(.5)	(2.5)
Net carrying amount of impaired loans			$ 11.2	$ 2.1	$ 13.3
Average recorded investment*	$ 7.1		$ 24.3	$ 3.6	$ 35.0

* Represents the average during the 12 months ended June 30, 2014.

During the period the loans above were considered impaired, interest income recognized on a cash basis is as follows:

	Three Months Ended June 30		**Six Months Ended June 30**	
	2015	2014	**2015**	2014
Interest income recognized:				
Dealer wholesale				$ .1
Customer retail - fleet	**$ .3**	$ .3	**$ .6**	.6
Customer retail - owner/operator	**.1**	.1	**.2**	.2
	$ .4	$ .4	**$ .8**	$ .9

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Notes to Consolidated Financial Statements (Unaudited) (Millions, Except Share Amounts)

Credit Quality

The Company s customers are principally concentrated in the transportation industry in North America, Europe and Australia. The Company s portfolio assets are diversified over a large number of customers and dealers with no single customer or dealer balances representing over 5% of the total portfolio assets. The Company retains as collateral a security interest in the related equipment.

At the inception of each contract, the Company considers the credit risk based on a variety of credit quality factors including prior payment experience, customer financial information, credit-rating agency ratings, loan-to-value ratios and other internal metrics. On an ongoing basis, the Company monitors credit quality based on past due status and collection experience as there is a meaningful correlation between the past due status of customers and the risk of loss.

The Company has three credit quality indicators: performing, watch and at-risk. Performing accounts pay in accordance with the contractual terms and are not considered high-risk. Watch accounts include accounts 31 to 90 days past due and large accounts that are performing but are considered to be high-risk. Watch accounts are not impaired. At-risk accounts are accounts that are impaired, including TDRs, accounts over 90 days past due and other accounts on non-accrual status. The tables below summarize the Company s finance receivables by credit quality indicator and portfolio class.

	Dealer		**Customer Retail**		
At June 30, 2015	**Wholesale**	**Retail**	**Fleet**	**Owner/ Operator**	**Total**
Performing	**$ 2,017.7**	**$ 1,560.9**	**$ 4,512.6**	**$ 1,090.7**	**$ 9,181.9**
Watch	**33.9**		**26.0**	**8.7**	**68.6**
At-risk	**4.3**		**38.8**	**8.6**	**51.7**
	$ 2,055.9	**$ 1,560.9**	**$ 4,577.4**	**$ 1,108.0**	**$ 9,302.2**

	Dealer		Customer Retail		
At December 31, 2014	Wholesale	Retail	Fleet	Owner/ Operator	Total
Performing	$ 1,739.5	$ 1,606.4	$ 4,430.9	$ 1,193.9	$ 8,970.7
Watch	11.4	.1	21.8	12.5	45.8
At-risk	4.9		34.8	8.9	48.6
	$ 1,755.8	$ 1,606.5	$ 4,487.5	$ 1,215.3	$ 9,065.1

The tables below summarize the Company s finance receivables by aging category. In determining past due status, the Company considers the entire contractual account balance past due when any installment is over 30 days past due. Substantially all customer accounts that were greater than 30 days past due prior to credit modification became current upon modification for aging purposes.

	Dealer		**Customer Retail**		
At June 30, 2015	**Wholesale**	**Retail**	**Fleet**	**Owner/ Operator**	**Total**
Current and up to 30 days past due	**$ 2,051.1**	**$ 1,560.9**	**$ 4,543.2**	**$ 1,095.8**	**$ 9,251.0**
31 60 days past due	**1.3**		**10.8**	**5.4**	**17.5**
Greater than 60 days past due	**3.5**		**23.4**	**6.8**	**33.7**
	$ 2,055.9	**$ 1,560.9**	**$ 4,577.4**	**$ 1,108.0**	**$ 9,302.2**

	Dealer		Customer Retail		
At December 31, 2014	Wholesale	Retail	Fleet	Owner/ Operator	Total
Current and up to 30 days past due	$ 1,752.9	$ 1,606.5	$ 4,464.4	$ 1,200.0	$ 9,023.8
31 60 days past due	.6		10.6	6.9	18.1
Greater than 60 days past due	2.3		12.5	8.4	23.2
	$ 1,755.8	$ 1,606.5	$ 4,487.5	$ 1,215.3	$ 9,065.1

Notes to Consolidated Financial Statements (Unaudited) (Millions, Except Share Amounts)

Troubled Debt Restructurings

The balance of TDRs was $34.2 and $36.0 at June 30, 2015 and December 31, 2014, respectively. At modification date, the pre-modification and post-modification recorded investment balances for finance receivables modified during the period by portfolio class are as follows:

	Three Months Ended June 30, 2015 Recorded Investment		Six Months Ended June 30, 2015 Recorded Investment	
	Pre-Modification	**Post-Modification**	**Pre-Modification**	**Post-Modification**
Fleet	**$ 2.4**	**$ 2.4**	**$ 6.3**	**$ 6.2**
Owner/operator	**1.5**	**1.5**	**2.4**	**2.4**
	$ 3.9	**$ 3.9**	**$ 8.7**	**$ 8.6**

	Three Months Ended June 30, 2014 Recorded Investment		Six Months Ended June 30, 2014 Recorded Investment	
	Pre-Modification	Post-Modification	Pre-Modification	Post-Modification
Fleet	$ .5	$ .5	$ 5.4	$ 5.4
Owner/operator	.3	.3	1.3	1.3
	$ .8	$ .8	$ 6.7	$ 6.7

The effect on the allowance for credit losses from such modifications was not significant at June 30, 2015 and 2014.

TDRs modified during the previous twelve months that subsequently defaulted (i.e., became more than 30 days past due) during the period by portfolio class are as follows:

Six Months Ended June 30,	**2015**	2014
Fleet		$ .3
Owner/operator	**$ .5**	.6
	$ .5	$ .9

The TDRs that subsequently defaulted did not significantly impact the Company s allowance for credit losses at June 30, 2015 and 2014.

Notes to Consolidated Financial Statements (Unaudited) (Millions, Except Share Amounts)

Repossessions

When the Company determines a customer is not likely to meet its contractual commitments, the Company repossesses the vehicles which serve as collateral for the loans, finance leases and equipment under operating lease. The Company records the vehicles as used truck inventory included in Financial Services other assets on the Consolidated Balance Sheets. The balance of repossessed inventory at June 30, 2015 and December 31, 2014 was $7.0 and $19.0, respectively. Proceeds from the sales of repossessed assets were $31.8 and $32.1 for the six months ended June 30, 2015 and 2014, respectively. These amounts are included in proceeds from asset disposals in the Condensed Consolidated Statements of Cash Flows. Write-downs of repossessed equipment on operating leases are recorded as impairments and included in Financial Services depreciation and other expense on the Consolidated Statements of Comprehensive Income.

NOTE E - Product Support Liabilities

Product support liabilities are estimated future payments related to product warranties, optional extended warranties and repair and maintenance (R&M) contracts. The Company generally offers one year warranties covering most of its vehicles and related aftermarket parts. For vehicles equipped with engines manufactured by PACCAR, the Company generally offers two year warranties on the engine. Specific terms and conditions vary depending on the product and the country of sale. Optional extended warranty and R&M contracts can be purchased for periods which generally range up to five years. Warranty expenses and reserves are estimated and recorded at the time products or contracts are sold based on historical data regarding the source, frequency and cost of claims, net of any recoveries. The Company periodically assesses the adequacy of its recorded liabilities and adjusts them as appropriate to reflect actual experience. Revenue from extended warranty and R&M contracts is deferred and recognized to income generally on a straight-line basis over the contract period. Warranty and R&M costs on these contracts are recognized as incurred.

Changes in product support liabilities are summarized as follows:

	2015	2014
Balance at January 1	**$ 772.8**	$ 630.5
Cost accruals and revenue deferrals	**317.8**	322.2
Payments and revenue recognized	**(236.9)**	(228.9)
Currency translation	**(20.9)**	2.4
Balance at June 30	**$ 832.8**	$ 726.2

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Notes to Consolidated Financial Statements (Unaudited) (Millions, Except Share Amounts)

NOTE F - Stockholders Equity

Comprehensive Income

The components of comprehensive income are as follows:

	Three Months Ended June 30		Six Months Ended June 30	
	2015	2014	**2015**	2014
Net income	**$ 447.2**	$ 319.2	**$ 825.6**	$ 593.1
Other comprehensive income (OCI):				
Unrealized gains (losses) on derivative contracts	**3.2**	(1.3)	**3.0**	.4
Tax effect	**(1.0)**	.8	**(.6)**	.2
	2.2	(.5)	**2.4**	.6
Unrealized (losses) gains on marketable debt securities	**(3.0)**	2.5	**(2.5)**	3.7
Tax effect	**.9**	(.8)	**.7**	(1.0)
	(2.1)	1.7	**(1.8)**	2.7
Pension plans	**2.0**	1.1	**23.7**	7.5
Tax effect	**(1.3)**	(.5)	**(8.1)**	(2.6)
	.7	.6	**15.6**	4.9
Foreign currency translation gains (losses)	**106.9**	47.7	**(246.0)**	46.6
Net other comprehensive income (loss)	**107.7**	49.5	**(229.8)**	54.8
Comprehensive income	**$ 554.9**	$ 368.7	**$ 595.8**	$ 647.9

Accumulated Other Comprehensive Loss

The components of AOCI and the changes in AOCI, net of tax, included in the Consolidated Balance Sheets, consisted of the following:

Three Months Ended June 30, 2015		**Derivative Contracts**		**Marketable Debt Securities**		**Pension Plans**		**Foreign Currency Translation**		**Total**
Balance at March 31, 2015	**$**	**(13.3)**	**$**	**5.6**	**$**	**(418.2)**	**$**	**(491.4)**	**$**	**(917.3)**
Recorded into AOCI		**(16.4)**		**(1.9)**		**(6.3)**		**106.9**		**82.3**
Reclassified out of AOCI		**18.6**		**(.2)**		**7.0**				**25.4**
Net other comprehensive income (loss)		**2.2**		**(2.1)**		**.7**		**106.9**		**107.7**
Balance at June 30, 2015	**$**	**(11.1)**	**$**	**3.5**	**$**	**(417.5)**	**$**	**(384.5)**	**$**	**(809.6)**

Three Months Ended June 30, 2014		Derivative Contracts		Marketable Debt Securities		Pension Plans		Foreign Currency Translation		Total
Balance at March 31, 2014	$	(14.0)	$	2.7	$	(257.9)	$	283.2	$	14.0
Recorded into AOCI		(28.8)		2.1		(3.2)		47.7		17.8
Reclassified out of AOCI		28.3		(.4)		3.8				31.7
Net other comprehensive (loss) income		(.5)		1.7		.6		47.7		49.5
Balance at June 30, 2014	$	(14.5)	$	4.4	$	(257.3)	$	330.9	$	63.5

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Notes to Consolidated Financial Statements (Unaudited) (Millions, Except Share Amounts)

Six Months Ended June 30, 2015		**Derivative Contracts**		**Marketable Debt Securities**		**Pension Plans**		**Foreign Currency Translation**		**Total**
Balance at December 31, 2014	**$**	**(13.5)**	**$**	**5.3**	**$**	**(433.1)**	**$**	**(138.5)**	**$**	**(579.8)**
Recorded into AOCI		**4.9**		**(1.0)**		**1.8**		**(246.0)**		**(240.3)**
Reclassified out of AOCI		**(2.5)**		**(.8)**		**13.8**				**10.5**
Net other comprehensive income (loss)		**2.4**		**(1.8)**		**15.6**		**(246.0)**		**(229.8)**
Balance at June 30, 2015	**$**	**(11.1)**	**$**	**3.5**	**$**	**(417.5)**	**$**	**(384.5)**	**$**	**(809.6)**

Six Months Ended June 30, 2014		Derivative Contracts		Marketable Debt Securities		Pension Plans		Foreign Currency Translation		Total
Balance at December 31, 2013	$	(15.1)	$	1.7	$	(262.2)	$	284.3	$	8.7
Recorded into AOCI		(22.7)		2.8		(2.6)		46.6		24.1
Reclassified out of AOCI		23.3		(.1)		7.5				30.7
Net other comprehensive income		.6		2.7		4.9		46.6		54.8
Balance at June 30, 2014	$	(14.5)	$	4.4	$	(257.3)	$	330.9	$	63.5

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Notes to Consolidated Financial Statements (Unaudited) (Millions, Except Share Amounts)

Reclassifications out of AOCI during the three months ended June 30, 2015 and 2014 are as follows:

AOCI Components	Line Item in the Consolidated Statements of Comprehensive Income	Three Months Ended June 30 2015	2014
Unrealized (gains) and losses on derivative contracts:			
Truck, Parts and Other			
Foreign-exchange contracts	Net sales and revenues	**$ .3**	
	Cost of sales and revenues	**.2**	$ 1.7
	Interest and other expense (income), net	**.2**	.2
Financial Services			
Interest-rate contracts	Interest and other borrowing expenses	**25.4**	38.5
	Pre-tax expense increase	**26.1**	40.4
	Tax benefit	**(7.5)**	(12.1)
	After-tax expense increase	**18.6**	28.3
Unrealized (gains) and losses on marketable debt securities:			
Marketable debt securities	Investment income	**(.3)**	(.6)
	Tax expense	**.1**	.2
	After-tax income increase	**(.2)**	(.4)
Pension plans:			
Truck, Parts and Other			
Actuarial loss	Cost of sales and revenues	**5.8**	2.9
	Selling, general and administrative	**4.2**	2.1
		10.0	5.0
Prior service costs	Cost of sales and revenues	**.3**	.3
Financial Services			
Actuarial loss	Selling, general and administrative	**.5**	.3
	Pre-tax expense increase	**10.8**	5.6
	Tax benefit	**(3.8)**	(1.8)
	After-tax expense increase	**7.0**	3.8

Total reclassifications out of AOCI	**$ 25.4**	$ 31.7

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Notes to Consolidated Financial Statements (Unaudited) (Millions, Except Share Amounts)

Reclassifications out of AOCI during the six months ended June 30, 2015 and 2014 are as follows:

AOCI Components	Line Item in the Consolidated Statements of Comprehensive Income	Six Months Ended June 30 2015	2014
Unrealized (gains) and losses on derivative contracts:			
Truck, Parts and Other			
Foreign-exchange contracts	Net sales and revenues	**$ .3**	
	Cost of sales and revenues	**3.4**	$ 1.8
	Interest and other expense (income), net	**(1.7)**	.1
Financial Services			
Interest-rate contracts	Interest and other borrowing expenses	**(7.8)**	31.6
	Pre-tax expense (reduction) increase	**(5.8)**	33.5
	Tax expense (benefit)	**3.3**	(10.2)
	After-tax expense (reduction) increase	**(2.5)**	23.3
Unrealized (gains) and losses on marketable debt securities:			
Marketable debt securities	Investment income	**(1.1)**	(.2)
	Tax expense	**.3**	.1
	After-tax income increase	**(.8)**	(.1)
Pension plans:			
Truck, Parts and Other			
Actuarial loss	Cost of sales and revenues	**11.2**	5.6
	Selling, general and administrative	**8.5**	4.3
		19.7	9.9
Prior service costs	Cost of sales and revenues	**.5**	.5
	Selling, general and administrative	**.1**	.1
		.6	.6
Financial Services			
Actuarial loss	Selling, general and administrative	**.9**	.6
	Pre-tax expense increase	**21.2**	11.1

Tax benefit	**(7.4)**	(3.6)
After-tax expense increase	**13.8**	7.5
Total reclassifications out of AOCI	**$ 10.5**	$ 30.7

Stock Compensation Plans

Stock-based compensation expense was $2.3 and $10.1 for the three and six months ended June 30, 2015, respectively, and $2.9 and $10.4 for the three and six months ended June 30, 2014, respectively. Realized tax benefits related to the excess of deductible amounts over expense recognized amounted to $1.0 and $2.2 for the three and six months ended June 30, 2015, respectively, and $.2 and $1.5 for the three and six months ended June 30, 2014, respectively, and have been classified as a financing cash flow.

During the first half of 2015, the Company issued 443,964 common shares under deferred and stock compensation arrangements. In addition, the Company retired 731,355 treasury shares.

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NOTE G - Income Taxes

The effective income tax rate in the second quarter of 2015 of 31.4% decreased from 33.6% in the same period of 2014, and the effective income tax rate in the first half of 2015 of 32.0% decreased from 33.2% in the same period of 2014. The decreases in the effective tax rates for the second quarter and first half were primarily due to the mix of income generated in jurisdictions with lower tax rates in 2015 as compared to 2014.

NOTE H - Segment Information

PACCAR operates in three principal segments: Truck, Parts and Financial Services.

	Three Months Ended June 30		**Six Months Ended June 30**	
	2015	2014	**2015**	2014
Net sales and revenues:				
Truck	**$ 4,228.4**	$ 3,679.4	**$ 8,209.2**	$ 7,168.0
Less intersegment	**(245.0)**	(224.4)	**(456.7)**	(383.8)
External customers	**3,983.4**	3,455.0	**7,752.5**	6,784.2
Parts	**788.4**	790.1	**1,552.8**	1,527.3
Less intersegment	**(11.9)**	(12.1)	**(23.6)**	(22.7)
External customers	**776.5**	778.0	**1,529.2**	1,504.6
Other	**26.2**	34.0	**52.4**	64.4
	4,786.1	4,267.0	**9,334.1**	8,353.2
Financial Services	**293.8**	302.6	**578.5**	596.3
	$ 5,079.9	$ 4,569.6	**$ 9,912.6**	$ 8,949.5
Income (loss) before income taxes:				
Truck	**$ 420.1**	$ 259.6	**$ 759.2**	$ 471.9
Parts	**145.7**	126.7	**284.6**	238.8
Other	**(9.7)**	(2.5)	**(20.1)**	(11.7)
	556.1	383.8	**1,023.7**	699.0
Financial Services	**90.8**	91.7	**179.8**	177.2

Investment income	**5.3**	5.5	**10.4**	11.3
	$ 652.2	$ 481.0	**$ 1,213.9**	$ 887.5
Depreciation and amortization:				
Truck	**$ 101.9**	$ 100.5	**$ 198.9**	$ 200.2
Parts	**1.6**	1.3	**3.1**	2.7
Other	**3.5**	2.7	**7.1**	5.3
	107.0	104.5	**209.1**	208.2
Financial Services	**120.3**	123.2	**239.3**	239.3
	$ 227.3	$ 227.7	**$ 448.4**	$ 447.5

Notes to Consolidated Financial Statements (Unaudited) (Millions, Except Share Amounts)

Truck and Parts

The Truck segment includes the manufacture of trucks and the Parts segment includes the distribution of related aftermarket parts, both of which are sold through the same network of independent dealers. These segments derive a large proportion of their revenues and operating profits from operations in North America and Europe. The Truck segment incurs substantial costs to design, manufacture and sell trucks to its customers. The sale of new trucks provides the Parts segment with the basis for parts sales that may continue over the life of the truck, but are generally concentrated in the first five years after truck delivery. To reflect the benefit the Parts segment receives from costs incurred by the Truck segment, certain expenses are allocated from the Truck segment to the Parts segment. The expenses allocated are based on a percentage of the average annual expenses for factory overhead, engineering, research and development (R&D) and selling, general and administrative (SG&A) expenses for the preceding five years. The allocation is based on the ratio of the average parts direct margin dollars (net sales less material and labor costs) to the total truck and parts direct margin dollars for the previous five years. The Company believes such expenses have been allocated on a reasonable basis. Truck segment assets related to the indirect expense allocation are not allocated to the Parts segment.

Financial Services

The Financial Services segment includes finance and leasing of primarily PACCAR products and services provided to truck customers and dealers. Revenues are primarily generated from operations in North America and Europe.

Other

Included in Other is the Company s industrial winch manufacturing business. Also within this category are other sales, income and expense not attributable to a reportable segment, including a portion of corporate expenses.

The accounting policies of the reportable segments are the same as those applied in the consolidated financial statements as described in Note A of the Company s Annual Report on Form 10-K for the year ended December 31, 2014.

NOTE I - Derivative Financial Instruments

As part of its risk management strategy, the Company enters into derivative contracts to hedge against interest rates and foreign currency risk. Certain derivative instruments designated as either cash flow hedges or fair value hedges are subject to hedge accounting. Derivative instruments that are not subject to hedge accounting are held as economic hedges. The Company s policies prohibit the use of derivatives for speculation or trading. At the inception of each hedge relationship, the Company documents its risk management objectives, procedures and accounting treatment. All of the Company s interest-rate and certain foreign exchange contracts are transacted under International Swaps and Derivatives Association (ISDA) master agreements. Each agreement permits the net settlement of amounts owed in the event of default and certain other termination events. For derivative financial instruments, the Company has elected not to offset derivative positions in the balance sheet with the same counterparty under the same agreements

and is not required to post or receive collateral. Exposure limits and minimum credit ratings are used to minimize the risks of counterparty default. The Company had no material exposures to default at June 30, 2015.

The Company uses regression analysis to assess effectiveness of interest-rate contracts on a quarterly basis. For foreign-exchange contracts, the Company performs quarterly assessments to ensure that critical terms continue to match. All components of the derivative instrument s gain or loss are included in the assessment of hedge effectiveness. Gains or losses on the ineffective portion of cash flow hedges are recognized currently in earnings. Hedge accounting is discontinued prospectively when the Company determines that a derivative financial instrument has ceased to be a highly effective hedge.

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Notes to Consolidated Financial Statements (Unaudited) (Millions, Except Share Amounts)

Interest-Rate Contracts: The Company enters into various interest-rate contracts, including interest-rate swaps and cross currency interest-rate swaps. Interest-rate swaps involve the exchange of fixed for floating rate or floating for fixed rate interest payments based on the contractual notional amounts in a single currency. Cross currency interest-rate swaps involve the exchange of notional amounts and interest payments in different currencies. The Company is exposed to interest-rate and exchange-rate risk caused by market volatility as a result of its borrowing activities. The objective of these contracts is to mitigate the fluctuations on earnings, cash flows and fair value of borrowings. Net amounts paid or received are reflected as adjustments to interest expense.

At June 30, 2015, the notional amount of the Company s interest-rate contracts was $3,695.1. Notional maturities for all interest-rate contracts are $485.7 for the remainder of 2015, $1,313.1 for 2016, $653.5 for 2017, $1,013.6 for 2018, $83.4 for 2019 and $145.8 thereafter. The majority of these contracts are floating to fixed swaps that effectively convert an equivalent amount of commercial paper and other variable rate debt to fixed rates.

Foreign-Exchange Contracts: The Company enters into foreign-exchange contracts to hedge certain anticipated transactions and assets and liabilities denominated in foreign currencies, particularly the Canadian dollar, the euro, the British pound, the Australian dollar, the Brazilian real and the Mexican peso. The objective is to reduce fluctuations in earnings and cash flows associated with changes in foreign currency exchange rates. At June 30, 2015, the notional amount of the outstanding foreign-exchange contracts was $289.5. Foreign-exchange contracts mature within one year.

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Notes to Consolidated Financial Statements (Unaudited) (Millions, Except Share Amounts)

The following table presents the balance sheet classification, fair value, gross and pro forma net amounts of derivative financial instruments:

	June 30, 2015		December 31, 2014	
	Assets	**Liabilities**	Assets	Liabilities
Derivatives designated under hedge accounting:				
Interest-rate contracts:				
Financial Services:				
Other assets	**$ 129.4**		$ 82.7	
Deferred taxes and other liabilities		**$ 71.0**		$ 45.7
Foreign-exchange contracts:				
Truck, Parts and Other:				
Other current assets	**1.4**		1.2	
Accounts payable, accrued expenses and other		**2.7**		1.9
Total	**$ 130.8**	**$ 73.7**	$ 83.9	$ 47.6
Economic hedges:				
Foreign-exchange contracts:				
Truck, Parts and Other:				
Other current assets	**$ .2**		$ 1.9	
Accounts payable, accrued expenses and other		**$ 1.6**		$ .9
Financial Services:				
Other assets	**.8**		3.4	
Deferred taxes and other liabilities		**.1**		
Total	**$ 1.0**	**$ 1.7**	$ 5.3	$ .9
Gross amounts recognized in Balance Sheet	**$ 131.8**	**$ 75.4**	$ 89.2	$ 48.5
Less amounts not offset in financial instruments:				
Truck, Parts and Other:				
Foreign-exchange contracts	**(.2)**	**(.2)**	(.9)	(.9)
Financial Services:				
Interest-rate contracts	**(4.5)**	**(4.5)**	(3.9)	(3.9)

Pro forma net amount	**$ 127.1**	**$ 70.7**	$ 84.4	$ 43.7

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Notes to Consolidated Financial Statements (Unaudited) (Millions, Except Share Amounts)

Fair Value Hedges

Changes in the fair value of derivatives designated as fair value hedges are recorded in earnings together with the changes in fair value of the hedged item attributable to the risk being hedged. The (income) or expense recognized in earnings related to fair value hedges was included in interest and other borrowing expenses in the Financial Services segment of the Consolidated Statements of Comprehensive Income as follows:

	Three Months Ended June 30		Six Months Ended June 30	
	2015	2014	**2015**	2014
Interest-rate swaps	**$ .3**	$ (.6)	**$ (1.1)**	$ (.5)
Term notes	**(.5)**	(.1)	**.6**	(1.2)

Cash Flow Hedges

Substantially all of the Company s interest-rate contracts and some foreign-exchange contracts have been designated as cash flow hedges. Changes in the fair value of derivatives designated as cash flow hedges are recorded in AOCI to the extent such hedges are considered effective. The maximum length of time over which the Company is hedging its exposure to the variability in future cash flows is 5.7 years.

Amounts in AOCI are reclassified into net income in the same period in which the hedged transaction affects earnings. Net realized gains and losses from interest-rate contracts are recognized as an adjustment to interest expense. Net realized gains and losses from foreign-exchange contracts are recognized as an adjustment to the line item in the Consolidated Statements of Comprehensive Income consistent with the hedged transaction. The Company recognized losses on the ineffective portions of nil and $.3 for the second quarter of 2015 and 2014, respectively, and losses of nil and $.3 for the first six months of 2015 and 2014, respectively.

The following table presents the pre-tax effects of derivative instruments recognized in OCI:

	Three Months Ended June 30, 2015		Six Months Ended June 30, 2015	
	Interest-Rate Contracts	**Foreign-Exchange Contracts**	**Interest-Rate Contracts**	**Foreign-Exchange Contracts**
(Loss) gain recognized in OCI:				
Truck, Parts and Other		**$ (3.0)**		**$ (3.0)**

Financial Services	**$ (19.9)**		**$ 11.8**	
Total	**$ (19.9)**	**$ (3.0)**	**$ 11.8**	**$ (3.0)**

	Three Months Ended June 30, 2014		Six Months Ended June 30, 2014	
	Interest-Rate Contracts	Foreign-Exchange Contracts	Interest-Rate Contracts	Foreign-Exchange Contracts
Loss recognized in OCI:				
Truck, Parts and Other		$ (3.0)		$ (2.8)
Financial Services	$ (38.7)		$ (30.3)	
Total	$ (38.7)	$ (3.0)	$ (30.3)	$ (2.8)

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Notes to Consolidated Financial Statements (Unaudited) (Millions, Except Share Amounts)

Expense (income) reclassified out of AOCI into the Consolidated Statements of Comprehensive Income as follows:

	Three Months Ended June 30, 2015		Six Months Ended June 30, 2015	
	Interest-Rate Contracts	**Foreign-Exchange Contracts**	**Interest-Rate Contracts**	**Foreign-Exchange Contracts**
Truck, Parts and Other:				
Net sales and revenues		**$ .3**		**$ .3**
Cost of sales and revenues		**.2**		**3.4**
Interest and other expense (income), net		**.2**		**(1.7)**
Financial Services:				
Interest and other borrowing expenses	**$ 25.4**		**$ (7.8)**	
Total	**$ 25.4**	**$ .7**	**$ (7.8)**	**$ 2.0**

	Three Months Ended June 30, 2014		Six Months Ended June 30, 2014	
	Interest-Rate Contracts	Foreign-Exchange Contracts	Interest-Rate Contracts	Foreign-Exchange Contracts
Truck, Parts and Other:				
Cost of sales and revenues		$ 1.7		$ 1.8
Interest and other expense (income), net		.2		.1
Financial Services:				
Interest and other borrowing expenses	$ 38.5		$ 31.6	
Total	$ 38.5	$ 1.9	$ 31.6	$ 1.9

The amount of loss recorded in AOCI at June 30, 2015 that is estimated to be recognized in the Consolidated Statements of Comprehensive Income in the following 12 months if interest rates and exchange rates remain unchanged is approximately $11.4, net of taxes. The fixed interest earned on finance receivables will offset the amount recognized in interest expense, resulting in a stable interest margin consistent with the Company s risk

management strategy.

Economic Hedges

For other risk management purposes, the Company enters into derivative instruments that do not qualify for hedge accounting. These derivative instruments are used to mitigate the risk of market volatility arising from borrowings and foreign currency denominated transactions. Changes in the fair value of economic hedges are recorded in earnings in the period in which the change occurs.

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Notes to Consolidated Financial Statements (Unaudited) (Millions, Except Share Amounts)

The expense (income) recognized in earnings related to economic hedges is as follows:

	Three Months Ended June 30, 2015		Six Months Ended June 30, 2015	
	Interest-Rate Contracts	**Foreign-Exchange Contracts**	**Interest-Rate Contracts**	**Foreign-Exchange Contracts**
Truck, Parts and Other:				
Cost of sales and revenues		**$ (.3)**		**$ (2.0)**
Interest and other expense (income), net		**(.5)**		**1.6**
Financial Services:				
Interest and other borrowing expenses		**(3.3)**		**(17.8)**
Selling, general and administrative		**(.4)**		**(.6)**
Total		**$ (4.5)**		**$ (18.8)**

	Three Months Ended June 30, 2014		Six Months Ended June 30, 2014	
	Interest-Rate Contracts	Foreign-Exchange Contracts	Interest-Rate Contracts	Foreign-Exchange Contracts
Truck, Parts and Other:				
Cost of sales and revenues		$ (.4)		$ (.2)
Interest and other expense (income), net		1.2		.3
Financial Services:				
Interest and other borrowing expenses	$ .3	4.3	$ .3	4.8
Total	$ .3	$ 5.1	$ .3	$ 4.9

NOTE J - Fair Value Measurements

Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Inputs to valuation techniques used to measure fair value are either observable or unobservable. These inputs have been categorized into the fair value hierarchy

described below.

Level 1 Valuations are based on quoted prices that the Company has the ability to obtain in actively traded markets for identical assets or liabilities. Since valuations are based on quoted prices that are readily and regularly available in an active market or exchange traded market, valuation of these instruments does not require a significant degree of judgment.

Level 2 Valuations are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.

Level 3 Valuations are based on model-based techniques for which some or all of the assumptions are obtained from indirect market information that is significant to the overall fair value measurement and which require a significant degree of management judgment.

There were no transfers of assets or liabilities between Level 1 and Level 2 of the fair value hierarchy during the six months ended June 30, 2015. The Company s policy is to recognize transfers between levels at the end of the reporting period.

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Notes to Consolidated Financial Statements (Unaudited) (Millions, Except Share Amounts)

The Company uses the following methods and assumptions to measure fair value for assets and liabilities subject to recurring fair value measurements.

Marketable Securities: The Company s marketable debt securities consist of municipal bonds, government obligations, investment-grade corporate obligations, commercial paper, asset-backed securities and term deposits. The fair value of U.S. government obligations is determined using the market approach and is based on quoted prices in active markets and are categorized as Level 1.

The fair value of U.S. government agency obligations, non-U.S. government bonds, municipal bonds, corporate bonds, asset-backed securities, commercial paper and term deposits is determined using the market approach and is primarily based on matrix pricing as a practical expedient which does not rely exclusively on quoted prices for a specific security. Significant inputs used to determine fair value include interest rates, yield curves, credit rating of the security and other observable market information and are categorized as Level 2.

Derivative Financial Instruments: The Company s derivative contracts consist of interest-rate swaps, cross currency swaps and foreign currency exchange contracts. These derivative contracts are traded over the counter, and their fair value is determined using industry standard valuation models, which are based on the income approach (i.e., discounted cash flows). The significant observable inputs into the valuation models include interest rates, yield curves, currency exchange rates, credit default swap spreads and forward rates and are categorized as Level 2.

Assets and Liabilities Subject to Recurring Fair Value Measurement

The Company s assets and liabilities subject to recurring fair value measurements are either Level 1 or Level 2 as follows:

At June 30, 2015	Level 1	Level 2	Total
Assets:			
Marketable debt securities			
U.S. tax-exempt securities		$ 496.3	$ 496.3
U.S. corporate securities		74.6	74.6
U.S. government and agency securities	$ 7.7	.5	8.2
Non-U.S. corporate securities		553.9	553.9
Non-U.S. government securities		179.8	179.8
Other debt securities		84.5	84.5
Total marketable debt securities	$ 7.7	$ 1,389.6	$ 1,397.3
Derivatives			
Cross currency swaps		$ 126.1	$ 126.1

Interest-rate swaps	**3.3**	**3.3**
Foreign-exchange contracts	**2.4**	**2.4**
Total derivative assets	**$ 131.8**	**$ 131.8**
Liabilities:		
Derivatives		
Cross currency swaps	**$ 59.2**	**$ 59.2**
Interest-rate swaps	**11.8**	**11.8**
Foreign-exchange contracts	**4.4**	**4.4**
Total derivative liabilities	**$ 75.4**	**$ 75.4**

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Notes to Consolidated Financial Statements (Unaudited) (Millions, Except Share Amounts)

At December 31, 2014	Level 1	Level 2	Total
Assets:			
Marketable debt securities			
U.S. tax-exempt securities		$ 363.4	$ 363.4
U.S. corporate securities		81.5	81.5
U.S. government and agency securities	$ 7.7	.3	8.0
Non-U.S. corporate securities		532.0	532.0
Non-U.S. government securities		194.1	194.1
Other debt securities		93.0	93.0
Total marketable debt securities	$ 7.7	$ 1,264.3	$ 1,272.0
Derivatives			
Cross currency swaps		$ 81.7	$ 81.7
Interest-rate swaps		1.0	1.0
Foreign-exchange contracts		6.5	6.5
Total derivative assets		$ 89.2	$ 89.2
Liabilities:			
Derivatives			
Cross currency swaps		$ 31.1	$ 31.1
Interest-rate swaps		14.6	14.6
Foreign-exchange contracts		2.8	2.8
Total derivative liabilities		$ 48.5	$ 48.5

Fair Value Disclosure of Other Financial Instruments

For financial instruments that are not recognized at fair value, the Company uses the following methods and assumptions to determine the fair value. These instruments are categorized as Level 2, except cash which is categorized as Level 1 and fixed rate loans which are categorized as Level 3.

Cash and Cash Equivalents: Carrying amounts approximate fair value.

Financial Services Net Receivables: For floating-rate loans, wholesale financings, and operating lease and other trade receivables, carrying values approximate fair values. For fixed rate loans, fair values are estimated using the income approach by discounting cash flows to their present value based on current rates for comparable loans. Finance lease receivables and related allowance for credit losses have been excluded from the accompanying table.

Debt: The carrying amounts of financial services commercial paper, variable rate bank loans and variable rate term notes approximate fair value. For fixed rate debt, fair values are estimated using the income approach by discounting cash flows to their present value based on current rates for comparable debt.

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Notes to Consolidated Financial Statements (Unaudited) (Millions, Except Share Amounts)

The Company s estimate of fair value for fixed rate loans and debt that are not carried at fair value was as follows:

	June 30, 2015		December 31, 2014	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Assets:				
Financial Services fixed rate loans	**$ 3,591.9**	**$ 3,648.1**	$ 3,627.5	$ 3,683.3
Liabilities:				
Financial Services fixed rate debt	**4,249.7**	**4,274.2**	3,713.4	3,737.7

NOTE K - Employee Benefit Plans

The Company has several defined benefit pension plans, which cover a majority of its employees. The following information details the components of net pension expense for the Company s defined benefit plans:

	Three Months Ended June 30		**Six Months Ended June 30**	
	2015	2014	**2015**	2014
Service cost	**$ 24.2**	$ 17.0	**$ 45.8**	$ 34.0
Interest on projected benefit obligation	**23.3**	23.1	**46.2**	46.1
Expected return on assets	**(35.7)**	(32.2)	**(70.5)**	(64.2)
Amortization of prior service costs	**.3**	.3	**.6**	.6
Recognized actuarial loss	**10.5**	5.2	**20.6**	10.4
Net pension expense	**$ 22.6**	$ 13.4	**$ 42.7**	$ 26.9

During the three and six months ended June 30, 2015, the Company contributed $53.0 and $55.7 to its pension plans, respectively, and $4.1 and $8.3 for the three and six months ended June 30, 2014, respectively.

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

OVERVIEW:

PACCAR is a global technology company whose Truck segment includes the design and manufacture of high quality light-, medium- and heavy-duty commercial trucks. In North America, trucks are sold under the Kenworth and Peterbilt nameplates, in Europe, under the DAF nameplate and in Australia and South America, under the Kenworth and DAF nameplates. The Parts segment includes the distribution of aftermarket parts for trucks and related commercial vehicles. The Company s Financial Services segment derives its earnings primarily from financing or leasing PACCAR products in North America, Europe and Australia. The Company s Other business is the manufacturing and marketing of industrial winches.

Consolidated net sales and revenues in the second quarter of 2015 increased to $5.08 billion from $4.57 billion in the second quarter of 2014. In the first six months of 2015, net sales and revenues increased to a record $9.91 billion from $8.95 billion in the same period of 2014. The Company s worldwide truck net sales and revenues in the second quarter of 2015 increased to $3.98 billion from $3.46 billion in the second quarter of 2014. In the first six months of 2015, truck net sales increased to a record $7.75 billion from $6.78 billion in the same period of 2014. Increases in truck sales were primarily due to stronger industry truck sales in the U.S. and Europe, partially offset by the effects of translating weaker foreign currencies, primarily the euro, to the U.S. dollar. The Company s worldwide parts net sales and revenues were $776.5 million in the second quarter of 2015 compared to $778.0 million in the second quarter of 2014. In the first six months of 2015, worldwide parts net sales and revenues increased to a record $1.53 billion from $1.50 billion in the same period of 2014. Parts sales benefited from higher freight demand in North America and Europe, higher fleet utilization and growth in the size of the North American truck parc, offset by currency translation effects. Financial Services revenues were $293.8 million in the second quarter of 2015 compared to $302.6 million in the second quarter of 2014. In the first six months of 2015, Financial Services revenues were $578.5 million compared to $596.3 million in the same period in 2014. The decrease in Financial Services revenues in both periods was primarily due to currency translation effects and lower market interest rates, partially offset by higher average earning assets.

Second quarter 2015 net income increased to a record $447.2 million ($1.26 per diluted share) from $319.2 million ($.90 per diluted share) in the second quarter of 2014. For the first six months of 2015, net income improved to a record $825.6 million ($2.32 per diluted share) from $593.1 million ($1.67 per diluted share) in the first six months of 2014. The results reflect increased truck sales in the U.S. and Europe and strong aftermarket parts and financial services results. The U.S. truck market is benefiting from record freight demand and expansion of industry fleet capacity.

In the second quarter and first half of 2015, the Company s R&D expenses were $59.3 million and $115.5 million compared to $49.9 million and $102.6 million in the second quarter and first half of 2014. R&D is focused on powertrain and new vehicle development.

Kenworth and Peterbilt launched new vehicle technologies that provide customers real-time diagnostic information to enhance their vehicle operating performance. Kenworth *TruckTech+* and Peterbilt *SmartLinq* diagnostic systems are in production on new Class 8 trucks equipped with the PACCAR MX-13 engine.

Truck and Parts Outlook

Class 8 truck industry retail sales in the U.S. and Canada in 2015 are expected to be 270,000 to 290,000 units compared to 249,400 units in 2014 driven by economic growth, strong freight demand and expansion of truck industry fleet capacity. In Europe, the 2015 truck industry registrations for over 16-tonne vehicles are expected to be 240,000 to 260,000 units, compared to 226,900 truck registrations in 2014. In South America, heavy-duty truck industry sales are estimated to be in a range of 70,000 to 80,000 units in 2015, compared to 129,000 units in 2014.

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In 2015, PACCAR Parts sales are expected to grow 6-9% in North America, reflecting steady economic growth and high fleet utilization. PACCAR Parts deliveries are expected to increase 4-7% in Europe, reflecting good freight markets and PACCAR Parts innovative customer service programs. The U.S. dollar value of sales in Europe may continue to be affected by recent declines in the value of the euro relative to the U.S. dollar.

Capital investments in 2015 are expected to be $325 to $375 million, focused on enhanced powertrain development and increased operating efficiency for the Company s factories and distribution centers. R&D in 2015 is expected to be $225 to $250 million focused on developing new products and services.

Financial Services Outlook

Based on the truck market outlook, average earning assets in 2015 are expected to be similar to current levels. Increases in local currencies are expected to be offset by translation into the U.S. dollar. Current levels of freight tonnage, freight rates and fleet utilization are contributing to customers profitability and cash flow. If current freight transportation conditions decline due to weaker economic conditions, then past due accounts, truck repossessions and credit losses would likely increase from the current low levels.

See the Forward-Looking Statements section of Management s Discussion and Analysis for factors that may affect these outlooks.

RESULTS OF OPERATIONS:

	Three Months Ended June 30		**Six Months Ended June 30**	
($ in millions, except per share amounts)	**2015**	2014	**2015**	2014
Net sales and revenues:				
Truck	**$ 3,983.4**	$ 3,455.0	**$ 7,752.5**	$ 6,784.2
Parts	**776.5**	778.0	**1,529.2**	1,504.6
Other	**26.2**	34.0	**52.4**	64.4
Truck, Parts and Other	**4,786.1**	4,267.0	**9,334.1**	8,353.2
Financial Services	**293.8**	302.6	**578.5**	596.3
	$ 5,079.9	$ 4,569.6	**$ 9,912.6**	$ 8,949.5
Income (loss) before taxes:				
Truck	**$ 420.1**	$ 259.6	**$ 759.2**	$ 471.9
Parts	**145.7**	126.7	**284.6**	238.8
Other	**(9.7)**	(2.5)	**(20.1)**	(11.7)
Truck, Parts and Other	**556.1**	383.8	**1,023.7**	699.0
Financial Services	**90.8**	91.7	**179.8**	177.2

Investment income		**5.3**		5.5		**10.4**		11.3
Income taxes		**(205.0)**		(161.8)		**(388.3)**		(294.4)
Net income	**$**	**447.2**	$	319.2	**$**	**825.6**	$	593.1
Diluted earnings per share	**$**	**1.26**	$	.90	**$**	**2.32**	$	1.67
Return on revenues		**8.8%**		7.0%		**8.3%**		6.6%

The following provides an analysis of the results of operations for the Company s three reportable segments - Truck, Parts and Financial Services. Where possible, the Company has quantified the impact of factors identified in the following discussion and analysis. In cases where it is not possible to quantify the impact of factors, the Company lists them in estimated order of importance. Factors for which the Company is unable to specifically quantify the impact include market demand, fuel prices, freight tonnage and economic conditions affecting the Company s results of operations.

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2015 Compared to 2014:

Truck

The Company s Truck segment accounted for 78% of revenues in the second quarter and first six months of 2015 compared to 76% in the second quarter and first six months of 2014.

	Three Months Ended June 30			Six Months Ended June 30		
($ in millions)	**2015**	**2014**	**% Change**	**2015**	**2014**	**% Change**
Truck net sales and revenues:						
U.S. and Canada	**$ 2,821.6**	$ 2,123.2	33	**$ 5,447.5**	$ 4,082.3	33
Europe	**804.7**	857.7	(6)	**1,577.2**	1,820.3	(13)
Mexico, South America, Australia and other	**357.1**	474.1	(25)	**727.8**	881.6	(17)
	$ 3,983.4	$ 3,455.0	15	**$ 7,752.5**	$ 6,784.2	14
Truck income before income taxes	**$ 420.1**	$ 259.6	62	**$ 759.2**	$ 471.9	61
Pre-tax return on revenues	**10.5%**	7.5%		**9.8%**	7.0%	

The Company s worldwide truck net sales and revenues in the second quarter and first half of 2015 increased to $3.98 billion and $7.75 billion, respectively, from $3.46 billion and $6.78 billion in the same periods in 2014, respectively, primarily due to higher truck deliveries in the U.S. and Europe. These were partially offset by the effects of translating weaker foreign currencies to the U.S. dollar, primarily the euro, which reduced second quarter and first half of 2015 worldwide truck net sales and revenues by $261.8 million and $493.5 million, respectively.

For the second quarter and first half of 2015, Truck segment income before income taxes and pre-tax return on revenues reflect higher truck unit deliveries and improved gross margins in the U.S. and Europe. The effects on income before income taxes of translating weaker foreign currencies to the U.S. dollar, primarily the euro, were largely offset by lower costs of North America MX engine components imported from Europe.

The Company s new truck deliveries are summarized below:

	Three Months Ended June 30			Six Months Ended June 30		
	2015	2014	% Change	**2015**	2014	% Change
U.S. and Canada	**26,800**	20,500	31	**51,200**	39,100	31
Europe	**11,200**	8,900	26	**21,300**	18,200	17
Mexico, South America, Australia and other	**3,600**	4,300	(16)	**7,400**	8,200	(10)
Total units	**41,600**	33,700	23	**79,900**	65,500	22

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In the first six months of 2015, industry retail sales in the heavy-duty market in the U.S. and Canada increased to 138,100 units from 113,600 units in the same period of 2014. The Company s heavy-duty truck retail market share was 27.7% in the first half of 2015 compared to 27.3% in the first half of 2014. The medium-duty market was 41,300 units in the first half of 2015 compared to 36,000 units in the same period of 2014. The Company s medium-duty market share was 15.3% in the first six months of 2015 compared to 15.2% in the first six months of 2014.

The over 16-tonne truck market in Western and Central Europe in the first six months of 2015 was 130,700 units compared to 108,800 units in the first six months of 2014. The Company s market share was 14.8% in the first six months of 2015 compared to 12.6% in the same period of 2014. The 6 to 16-tonne market in the first six months of 2015 was 22,400 units compared to 22,500 units in the first six months of 2014. DAF market share in the 6 to 16-tonne market in the first six months of 2015 was 9.1% compared to 7.7% in the same period of 2014.

The major factors for the changes in net sales and revenues, cost of sales and revenues and gross margin between the three months ended June 30, 2015 and 2014 for the Truck segment are as follows:

($ in millions)	Net Sales	Cost of Sales	Gross Margin
Three Months Ended June 30, 2014	**$ 3,455.0**	**$ 3,118.0**	**$ 337.0**
Increase (decrease)			
Truck delivery volume	**768.5**	**611.8**	**156.7**
Average truck sales prices	**21.9**		**21.9**
Average per truck material, labor and other direct costs		**(38.8)**	**38.8**
Factory overhead and other indirect costs		**24.0**	**(24.0)**
Operating leases	**(.2)**	**.4**	**(.6)**
Currency translation	**(261.8)**	**(237.8)**	**(24.0)**
Total increase	**528.4**	**359.6**	**168.8**
Three Months Ended June 30, 2015	**$ 3,983.4**	**$ 3,477.6**	**$ 505.8**

Higher truck unit deliveries in the U.S. and Canada and Europe increased sales ($845.1 million) and cost of sales ($675.6 million). This was partially offset by lower truck deliveries in Mexico and Australia which resulted in lower sales ($78.0 million) and cost of sales ($63.7 million).

Average truck sales prices increased sales by $21.9 million, primarily driven by improved price realization in Europe.

Average cost per truck decreased cost of sales by $38.8 million, primarily due to lower material costs, reflecting lower commodity prices and lower costs of North America MX engine components imported from Europe which benefited from the decline in the value of the euro.

Factory overhead and other indirect costs increased $24.0 million, primarily due to higher supplies and maintenance ($17.0 million) to support higher sales volume and higher depreciation expense ($2.4 million).

The currency translation effect on sales and cost of sales reflects a decline in the value of foreign currencies relative to the U.S. dollar, primarily the euro.

Truck gross margin in the second quarter of 2015 of 12.7% increased from 9.8% in the same period in 2014 due to the factors noted above.

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The major factors for the changes in net sales and revenues, cost of sales and revenues and gross margin between the six months ended June 30, 2015 and 2014 for the Truck segment are as follows:

($ in millions)	Net Sales	Cost of Sales	Gross Margin
Six Months Ended June 30, 2014	**$ 6,784.2**	**$ 6,150.7**	**$ 633.5**
Increase (decrease)			
Truck delivery volume	**1,427.9**	**1,158.7**	**269.2**
Average truck sales prices	**48.4**		**48.4**
Average per truck material, labor and other direct costs		**(59.2)**	**59.2**
Factory overhead and other indirect costs		**37.5**	**(37.5)**
Operating leases	**(14.5)**	**(13.3)**	**(1.2)**
Currency translation	**(493.5)**	**(453.6)**	**(39.9)**
Total increase	**968.3**	**670.1**	**298.2**
Six Months Ended June 30, 2015	**$ 7,752.5**	**$ 6,820.8**	**$ 931.7**

Higher truck unit deliveries in the U.S. and Canada and Europe increased sales ($1,521.6 million) and cost of sales ($1,236.5 million). This was partially offset by lower truck deliveries in Mexico and Australia, which resulted in lower sales ($95.0 million) and cost of sales ($77.2 million).

Average truck sales prices increased sales by $48.4 million, driven by improved price realization in Europe and the U.S. and Canada.

Average cost per truck decreased cost of sales by $59.2 million, primarily due to lower material costs, reflecting lower commodity prices, and lower costs of North America MX engine components imported from Europe which benefited from the decline in the value of the euro.

Factory overhead and other indirect costs increased $37.5 million, primarily due to higher supplies and maintenance ($21.9 million) and salaries and related expenses ($9.4 million) to support higher sales volume and higher depreciation expense ($4.8 million).

Operating lease revenues and cost of sales decreased due to lower average asset balances.

The currency translation effect on sales and cost of sales reflects a decline in the value of foreign currencies relative to the U.S. dollar, primarily the euro.

Truck gross margin in the first six months of 2015 of 12.0% increased from 9.3% in the same period in 2014 due to the factors noted above.

Truck SG&A expenses for the second quarter of 2015 decreased to $45.4 million from $50.1 million in the second quarter of 2014. In the first six months of 2015, Truck SG&A decreased to $91.2 million from $104.1 million in the first six months of 2014. The decrease for the second quarter was primarily due to currency translation effect ($5.9 million), mostly related to a decline in the value of the euro relative to the U.S. dollar, and the decrease for the first six months was due to currency translation impact ($10.3 million) and lower salaries and related expenses ($1.8 million).

As a percentage of sales, Truck SG&A decreased to 1.1% in the second quarter of 2015 compared to 1.5% in the same period of 2014. For the first six months of 2015, Truck SG&A as a percentage of sales decreased to 1.2% from 1.5% in the first six months of 2014, reflecting higher sales volume and ongoing cost controls.

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Parts

The Company s Parts segment accounted for 15% of revenues in the second quarter and first six months of 2015 compared to 17% in the second quarter and first six months of 2014.

	Three Months Ended June 30			Six Months Ended June 30		
($ in millions)	**2015**	**2014**	**% Change**	**2015**	**2014**	**% Change**
Parts net sales and revenues:						
U.S. and Canada	**$ 501.7**	$ 464.4	8	**$ 984.8**	$ 888.4	11
Europe	**191.4**	220.6	(13)	**386.4**	438.8	(12)
Mexico, South America, Australia and other	**83.4**	93.0	(10)	**158.0**	177.4	(11)
	$ 776.5	$ 778.0		**$ 1,529.2**	$ 1,504.6	2
Parts income before income taxes	**$ 145.7**	$ 126.7	15	**$ 284.6**	$ 238.8	19
Pre-tax return on revenues	**18.8%**	16.3%		**18.6%**	15.9%	

The Company s worldwide parts net sales and revenues increased in the second quarter and first six months of 2015 primarily due to higher aftermarket demand in North America and Europe. This was partially offset by a decline in the value of foreign currencies relative to the U.S. dollar, primarily the euro, which reduced 2015 worldwide parts net sales and revenues by $56.2 million in the second quarter and $104.9 million in the first half.

The increase in Parts segment income before taxes and pre-tax return on revenues in the second quarter and first six months of 2015 was primarily due to higher sales and gross margins. This was partially offset by a decline in the value of foreign currencies relative to the U.S. dollar, primarily the euro, which reduced 2015 Parts segment income before income taxes by $11.6 million in the second quarter and $20.7 million in the first half.

The major factors for the changes in net sales and revenues, cost of sales and revenues and gross margin between the three months ended June 30, 2015 and 2014 for the Parts segment are as follows:

($ in millions)	**Net Sales**	**Cost of Sales**	**Gross Margin**
Three Months Ended June 30, 2014	**$ 778.0**	**$ 575.8**	**$ 202.2**
Increase (decrease)			
Aftermarket parts volume	**36.0**	**27.6**	**8.4**

Average aftermarket parts sales prices	**18.7**		**18.7**
Average aftermarket parts direct costs		**(6.6)**	**6.6**
Warehouse and other indirect costs		**2.4**	**(2.4)**
Currency translation	**(56.2)**	**(36.5)**	**(19.7)**
Total (decrease) increase	**(1.5)**	**(13.1)**	**11.6**
Three Months Ended June 30, 2015	**$ 776.5**	**$ 562.7**	**$ 213.8**

Higher market demand, primarily in the U.S., Canada and Europe, resulted in increased aftermarket parts sales volume of $36.0 million and related cost of sales by $27.6 million.

Average aftermarket parts sales prices increased sales by $18.7 million reflecting improved price realization, primarily in Europe ($13.6 million) and in the U.S. and Canada ($4.9 million).

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Average aftermarket parts direct costs decreased $6.6 million due to lower material costs.

Warehouse and other indirect costs increased $2.4 million primarily due to additional costs to support higher sales volume.

The currency translation effect on sales and cost of sales reflects a decline in the value of foreign currencies relative to the U.S. dollar, primarily the euro.

Parts gross margin in the second quarter of 2015 increased to 27.5% from 26.0% in the second quarter of 2014 due to the factors noted above.

The major factors for the changes in net sales and revenues, cost of sales and revenues and gross margin between the six months ended June 30, 2015 and 2014 for the Parts segment are as follows:

($ in millions)	Net Sales	Cost of Sales	Gross Margin
Six Months Ended June 30, 2014	**$ 1,504.6**	**$ 1,114.9**	**$ 389.7**
Increase (decrease)			
Aftermarket parts volume	**81.0**	**49.6**	**31.4**
Average aftermarket parts sales prices	**48.5**		**48.5**
Average aftermarket parts direct costs		**8.4**	**(8.4)**
Warehouse and other indirect costs		**4.4**	**(4.4)**
Currency translation	**(104.9)**	**(68.2)**	**(36.7)**
Total increase (decrease)	**24.6**	**(5.8)**	**30.4**
Six Months Ended June 30, 2015	**$ 1,529.2**	**$ 1,109.1**	**$ 420.1**

Higher market demand, primarily in the U.S. and Canada and Europe, resulted in increased aftermarket parts sales volume of $81.0 million and related cost of sales by $49.6 million.

Average aftermarket parts sales prices increased sales by $48.5 million reflecting improved price realization, primarily in the U.S. and Canada ($28.4 million) and Europe ($21.6 million).

Average aftermarket parts direct costs increased $8.4 million due to higher material costs.

Warehouse and other indirect costs increased $4.4 million primarily due to additional costs to support higher sales volume.

The currency translation effect on sales and cost of sales reflects a decline in the value of foreign currencies relative to the U.S. dollar, primarily the euro.

Parts gross margin in the first half of 2015 increased to 27.5% from 25.9% in the first half of 2014 due to the factors noted above.

Parts SG&A expenses for the second quarter of 2015 decreased to $48.8 million from $52.5 million in the second quarter of 2014. The decrease for the second quarter was primarily due to currency translation impact ($6.1 million), mostly related to a decline in the value of the euro relative to the U.S. dollar, partially offset by higher salaries and related expenses ($1.7 million). In the first six months of 2015, Parts SG&A decreased to $97.0 million from $104.3 million in the first six months of 2014. The decrease for the first six months was due to currency translation impact ($11.3 million), partially offset by higher salaries and related expenses ($5.9 million).

As a percentage of sales, Parts SG&A decreased to 6.3% in the second quarter of 2015 compared to 6.7% in the second quarter of 2014 primarily due to higher sales volume. For the first six months of 2015, Parts SG&A as a percentage of sales was 6.3%, down from 6.9% in the first six months of 2014, reflecting higher sales volume.

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Financial Services

The Company s Financial Services segment accounted for 6% of revenues in the second quarter and first six months of 2015 compared to 7% in the second quarter and first six months of 2014.

	Three Months Ended June 30			Six Months Ended June 30		
($ in millions)	**2015**	2014	% Change	**2015**	2014	% Change
New loan and lease volume:						
U.S. and Canada	**$ 782.3**	$ 780.4		**$ 1,342.9**	$ 1,260.4	7
Europe	**268.9**	249.8	8	**506.9**	474.8	7
Mexico and Australia	**148.9**	170.8	(13)	**304.4**	329.1	(8)
	$ 1,200.1	$ 1,201.0		**$ 2,154.2**	$ 2,064.3	4
New loan and lease volume by product:						
Loans and finance leases	**$ 898.8**	$ 903.4	(1)	**$ 1,582.6**	$ 1,614.3	(2)
Equipment on operating lease	**301.3**	297.6	1	**571.6**	450.0	27
	$ 1,200.1	$ 1,201.0		**$ 2,154.2**	$ 2,064.3	4
New loan and lease unit volume:						
Loans and finance leases	**9,000**	8,500	6	**15,800**	15,300	3
Equipment on operating lease	**2,900**	2,700	7	**5,500**	4,200	31
	11,900	11,200	6	**21,300**	19,500	9
Average earning assets:						
U.S. and Canada	**$ 7,464.8**	$ 6,650.8	12	**$ 7,272.1**	$ 6,588.6	10
Europe	**2,433.8**	2,787.8	(13)	**2,444.6**	2,761.7	(11)
Mexico and Australia	**1,550.6**	1,730.1	(10)	**1,581.4**	1,725.1	(8)
	$ 11,449.2	$ 11,168.7	3	**$ 11,298.1**	$ 11,075.4	2
Average earning assets by product:						
Loans and finance leases	**$ 7,236.0**	$ 7,264.1		**$ 7,213.7**	$ 7,215.3	
Dealer wholesale financing	**1,748.2**	1,469.5	19	**1,655.7**	1,452.2	14
	2,465.0	2,435.1	1	**2,428.7**	2,407.9	1

Equipment on lease and other						
	$ 11,449.2	$ 11,168.7	3	**$ 11,298.1**	$ 11,075.4	2
Revenues:						
U.S. and Canada	**$ 169.5**	$ 159.2	6	**$ 330.4**	$ 312.6	6
Europe	**68.7**	81.2	(15)	**136.8**	161.3	(15)
Mexico and Australia	**55.6**	62.2	(11)	**111.3**	122.4	(9)
	$ 293.8	$ 302.6	(3)	**$ 578.5**	$ 596.3	(3)
Revenues by product:						
Loans and finance leases	**$ 96.7**	$ 101.6	(5)	**$ 194.3**	$ 202.1	(4)
Dealer wholesale financing	**14.4**	13.1	10	**27.7**	25.5	9
Equipment on lease and other	**182.7**	187.9	(3)	**356.5**	368.7	(3)
	$ 293.8	$ 302.6	(3)	**$ 578.5**	$ 596.3	(3)
Income before income taxes	**$ 90.8**	$ 91.7	(1)	**$ 179.8**	$ 177.2	1

New loan and lease volume in the second quarter of 2015 of $1,200.1 million was comparable to $1,201.0 million in the second quarter of 2014. New loan and lease volume in the first six months of 2015 increased to $2,154.2 million from $2,064.3 million in the first six months of 2014, primarily driven by higher equipment on operating leases as a result of increased demand from fleet customers in the U.S. and Europe.

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In the second quarter of 2015, PFS s finance share on new PACCAR truck sales was 26.0% compared to 30.4% in the second quarter of 2014 due to increased competition. In the first six months of 2015, finance market share on new PACCAR truck sales was 25.1% compared to 28.8% in the same period of 2014 due to increased competition.

In the second quarter of 2015, PFS revenue decreased to $293.8 million from $302.6 million in 2014, and in the first six months of 2015, PFS revenue decreased to $578.5 million from $596.3 million in 2014. The decrease for both periods was primarily due to a decline in the value of the euro relative to the U.S. dollar and lower yields, partially offset by higher average earning asset balances. The effects of currency exchange lowered PFS revenues by $18.6 million and $34.7 million for the second quarter and first six months of 2015, respectively.

Income before income taxes for the second quarter was $90.8 million in 2015 compared to $91.7 million for the second quarter of 2014. For the first six months of 2015, income before income taxes increased to $179.8 million from $177.2 million in 2014 reflecting higher average earning asset balances and lower borrowing rates, partially offset by the effects of currency translation and lower yields. The currency exchange impact lowered PFS income before income taxes by $4.1 million and $7.3 million for the second quarter and first six months of 2015, respectively.

The major factors for the changes in interest and fees, interest and other borrowing expenses and finance margin between the three months ended June 30, 2015 and 2014 are outlined below:

($ in millions)		Interest and Fees		Interest and Other Borrowing Expenses		Finance Margin
Three Months Ended June 30, 2014	$	**114.7**	$	**33.7**	$	**81.0**
Increase (decrease)						
Average finance receivables		**11.2**				**11.2**
Average debt balances				**2.9**		**(2.9)**
Yields		**(4.6)**				**(4.6)**
Borrowing rates				**(3.6)**		**3.6**
Currency translation		**(10.2)**		**(3.4)**		**(6.8)**
Total (decrease) increase		**(3.6)**		**(4.1)**		**.5**
Three Months Ended June 30, 2015	$	**111.1**	$	**29.6**	$	**81.5**

Average finance receivables increased $887.6 million (excluding foreign exchange effects) in the second quarter of 2015 as a result of retail portfolio new business volume exceeding collections.

Average debt balances increased $806.9 million (excluding foreign exchange effects) in the second quarter of 2015. The higher average debt balances reflect funding for a higher average earning asset portfolio, including loans, finance leases and equipment on operating leases.

Lower market rates resulted in lower portfolio yields (5.1% in 2015 compared to 5.3% in 2014) and lower borrowing rates (1.5% in 2015 compared to 1.6% in 2014).

The currency translation effects reflect a decline in the value of foreign currencies relative to the U.S. dollar, primarily the euro.

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The major factors for the changes in interest and fees, interest and other borrowing expenses and finance margin between the six months ended June 30, 2015 and 2014 are outlined below:

($ in millions)		Interest and Fees		Interest and Other Borrowing Expenses		Finance Margin
Six Months Ended June 30, 2014	$	**227.6**	$	**70.3**	$	**157.3**
Increase (decrease)						
Average finance receivables		**19.9**				**19.9**
Average debt balances				**4.5**		**(4.5)**
Yields		**(9.7)**				**(9.7)**
Borrowing rates				**(10.9)**		**10.9**
Currency translation		**(15.8)**		**(5.2)**		**(10.6)**
Total (decrease) increase		**(5.6)**		**(11.6)**		**6.0**
Six Months Ended June 30, 2015	$	**222.0**	$	**58.7**	$	**163.3**

Average finance receivables increased $793.2 million (excluding foreign exchange effects) in the first six months of 2015 as a result of retail portfolio new business volume exceeding collections.

Average debt balances increased $632.6 million (excluding foreign exchange effects) in the first six months of 2015. The higher average debt balances reflect funding for a higher average earning asset portfolio, including loans, finance leases and equipment on operating leases.

Lower market rates resulted in lower portfolio yields (5.1% in 2015 compared to 5.3% in 2014) and lower borrowing rates (1.4% in 2015 compared to 1.7% in 2014).

The currency translation effects reflect a decline in the value of foreign currencies relative to the U.S. dollar, primarily the euro.

The following table summarizes operating lease, rental and other revenues and depreciation and other expense:

($ in millions)	Three Months Ended June 30 2015	2014	Six Months Ended June 30 2015	2014
Operating lease rental revenues	**$ 173.7**	$ 180.7	**$ 342.1**	$ 354.2
Used truck sales and other	**9.0**	7.2	**14.4**	14.5
Operating lease, rental and other revenues	**$ 182.7**	$ 187.9	**$ 356.5**	$ 368.7
Depreciation of operating lease equipment	**$ 112.5**	$ 117.0	**$ 227.8**	$ 231.8
Vehicle operating expenses	**25.5**	26.9	**47.6**	52.3
Cost of used truck sales and other	**7.9**	4.5	**10.9**	8.6
Depreciation and other expense	**$ 145.9**	$ 148.4	**$ 286.3**	$ 292.7

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The major factors for the changes in operating lease, rental and other revenues, depreciation and other expense and lease margin between the three months ended June 30, 2015 and 2014 are outlined below:

($ in millions)	Operating Lease, Rental and Other Revenues	Depreciation and Other Expense	Lease Margin
Three Months Ended June 30, 2014	$ 187.9	$ 148.4	$ 39.5
Increase (decrease)			
Used truck sales	2.3	3.6	(1.3)
Results on returned lease assets		.4	(.4)
Average operating lease assets	5.4	4.0	1.4
Revenue and cost per asset	1.0	1.2	(.2)
Currency translation and other	(13.9)	(11.7)	(2.2)
Total decrease	(5.2)	(2.5)	(2.7)
Three Months Ended June 30, 2015	$ 182.7	$ 145.9	$ 36.8

A higher volume of used truck sales increased operating lease, rental and other revenues by $2.3 million and increased depreciation and other expense by $3.6 million.

Average operating lease assets increased $199.4 million (excluding foreign exchange effects), which increased revenues by $5.4 million and related depreciation and other expense by $4.0 million.

Revenue per asset increased $1.0 million mainly due to higher rental rates in Europe and the U.S., partially offset by lower rental income in Mexico and lower fuel surcharges in the U.S. Cost per asset increased $1.2 million primarily due to higher depreciation costs in Europe, partially offset by lower fuel expense in the U.S.

The currency translation effects reflect a decline in the value of foreign currencies relative to the U.S. dollar, primarily the euro.

The major factors for the changes in operating lease, rental and other revenues, depreciation and other expense and lease margin between the six months ended June 30, 2015 and 2014 are outlined below:

($ in millions)	Operating Lease, Rental and Other Revenues	Depreciation and Other Expense	Lease Margin
Six Months Ended June 30, 2014	**$ 368.7**	**$ 292.7**	**$ 76.0**
Increase (decrease)			
Used truck sales	**1.0**	**2.7**	**(1.7)**
Results on returned lease assets		**2.6**	**(2.6)**
Average operating lease assets	**11.9**	**8.7**	**3.2**
Revenue and cost per asset	**(.1)**	**1.0**	**(1.1)**
Currency translation and other	**(25.0)**	**(21.4)**	**(3.6)**
Total decrease	**(12.2)**	**(6.4)**	**(5.8)**
Six Months Ended June 30, 2015	**$ 356.5**	**$ 286.3**	**$ 70.2**

A higher volume of used truck sales increased operating lease, rental and other revenues by $1.0 million and increased depreciation and other expense by $2.7 million.

Average operating lease assets increased $177.8 million (excluding foreign exchange effects), which increased revenues by $11.9 million and related depreciation and other expense by $8.7 million.

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Revenue per asset decreased $.1 million due to lower rental income in Mexico and lower fuel surcharges in the U.S., partially offset by higher rental rates in Europe and the U.S. Cost per asset increased $1.0 million primarily due to higher depreciation and maintenance costs in Europe, partially offset by lower depreciation costs in Mexico and lower fuel expense in the U.S.

The currency translation effects reflect a decline in the value of foreign currencies relative to the U.S. dollar, primarily the euro.

The following table summarizes the provision for losses on receivables and net charge-offs:

	Three Months Ended June 30, 2015		Six Months Ended June 30, 2015	
($ in millions)	**Provision For Losses on Receivables**	**Net Charge-Offs**	**Provision For Losses on Receivables**	**Net Charge-Offs**
U.S. and Canada	**$ 2.7**	**$ 1.0**	**$ 3.3**	**$ 1.3**
Europe	**.1**	**.5**	**1.2**	**1.3**
Mexico and Australia	**.8**	**.8**	**1.8**	**1.8**
	$ 3.6	**$ 2.3**	**$ 6.3**	**$ 4.4**

	Three Months Ended June 30, 2014		Six Months Ended June 30, 2014	
($ in millions)	Provision For Losses on Receivables	Net Charge-Offs	Provision For Losses on Receivables	Net Charge-Offs
U.S. and Canada	$ 1.4	$ 1.5	$ 2.9	$ 2.0
Europe	1.2	.9	3.4	3.1
Mexico and Australia	1.4	1.3	1.4	1.3
	$ 4.0	$ 3.7	$ 7.7	$ 6.4

The provision for losses on receivables was $3.6 million for the second quarter of 2015, a decrease of $.4 million compared to the second quarter of 2014, mainly due to improved portfolio performance in all markets, partially offset by a higher portfolio balance in the U.S. and Canada. For the first half of 2015, the provision for losses on receivables was $6.3 million, a decrease of $1.4 million compared to the same period in 2014 due to improved portfolio performance in all markets except Mexico, partially offset by a higher portfolio balance in the U.S. and Canada.

The Company modifies loans and finance leases as a normal part of its Financial Services operations. The Company may modify loans and finance leases for commercial reasons or for credit reasons. Modifications for commercial

reasons are changes to contract terms for customers that are not considered to be in financial difficulty. Insignificant delays are modifications extending terms up to three months for customers experiencing some short-term financial stress, but not considered to be in financial difficulty. Modifications for credit reasons are changes to contract terms for customers considered to be in financial difficulty. The Company s modifications typically result in granting more time to pay the contractual amounts owed and charging a fee and interest for the term of the modification. When considering whether to modify customer accounts for credit reasons, the Company evaluates the creditworthiness of the customers and modifies those accounts that the Company considers likely to perform under the modified terms. When the Company modifies loans and finance leases for credit reasons and grants a concession, the modifications are classified as troubled debt restructurings (TDR).

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The post-modification balance of accounts modified during the six months ended June 30, 2015 and 2014 are summarized below:

($ in millions)	2015		2014	
Six Months Ended June 30,	**Recorded Investment**	**% of Total Portfolio***	Recorded Investment	% of Total Portfolio*
Commercial	**$ 90.3**	**2.5%**	$ 100.7	2.7%
Insignificant delay	**32.9**	**.9%**	47.7	1.3%
Credit - no concession	**27.2**	**.8%**	11.8	.3%
Credit - TDR	**8.6**	**.2%**	6.7	.2%
	$ 159.0	**4.4%**	$ 166.9	4.5%

* Recorded investment immediately after modification as a percentage of ending retail portfolio, on an annualized basis.

During the first six months of 2015, total modification activity decreased compared to the same period of 2014 primarily due to lower modifications for commercial reasons and insignificant delays, partially offset by an increase in credit modifications. The decrease in commercial modifications primarily reflects lower volumes of refinancing. The decline in modifications for insignificant delay reflects a 2014 two-month extension granted to one large fleet customer in the U.S. Credit no concession modifications increased primarily due to extensions granted to two customers in Australia.

The following table summarizes the Company s 30+ days past due accounts:

	June 30 2015	December 31 2014	June 30 2014
Percentage of retail loan and lease accounts 30+ days past due:			
U.S. and Canada	**.3%**	.1%	.2%
Europe	**.8%**	1.1%	.9%
Mexico and Australia	**2.3%**	2.0%	2.0%
Worldwide	**.6%**	.5%	.6%

Accounts 30+ days past due were .6% at June 30, 2015 and have increased slightly from .5% at December 31, 2014, primarily due to higher past due accounts in North America, partially offset by lower past dues in Europe. The

Company continues to focus on maintaining low past due balances.

When the Company modifies a 30+ days past due account, the customer is then generally considered current under the revised contractual terms. The Company modified $4.0 million of accounts worldwide during the second quarter of 2015, $4.0 million during the fourth quarter of 2014 and $4.3 million during the second quarter of 2014 that were 30+ days past due and became current at the time of modification. Had these accounts not been modified and continued to not make payments, the pro forma percentage of retail loan and lease accounts 30+ days past due would have been as follows:

	June 30 2015	December 31 2014	June 30 2014
Pro forma percentage of retail loan and lease accounts 30+ days past due:			
U.S. and Canada	**.3%**	.1%	.2%
Europe	**.8%**	1.2%	1.1%
Mexico and Australia	**2.6%**	2.3%	2.1%
Worldwide	**.7%**	.6%	.7%

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Modifications of accounts in prior quarters that were more than 30 days past due at the time of modification are included in past dues if they were not performing under the modified terms at June 30, 2015, December 31, 2014 and June 30, 2014. The effect on the allowance for credit losses from such modifications was not significant at June 30, 2015, December 31, 2014 and June 30, 2014.

The Company s annualized pre-tax return on average earning assets for Financial Services was 3.2% for both the second quarter and first six months of 2015 compared to 3.3% and 3.2% for the same periods in 2014.

Other

Other includes the winch business as well as sales, income and expenses not attributable to a reportable segment, including a portion of corporate expense. Other sales represented approximately 1% of consolidated net sales and revenues for both the second quarter and first half of 2015 and 2014. Other SG&A for the second quarter was $14.0 million in 2015 and $12.3 million in 2014, and for the first half, other SG&A was $29.5 million in 2015 compared to $27.8 million in 2014. The increase in SG&A for both periods was primarily due to higher salaries and related expenses. For the second quarter, other income (loss) before tax was a loss of $9.7 million in 2015 compared to a loss of $2.5 million in 2014. For the first six months, other income (loss) before tax was a loss of $20.1 million in 2015 compared to a loss of $11.7 million in 2014. The lower results in 2015 for both periods was primarily due to lower income before tax from the winch business.

Investment income for the second quarter was $5.3 million in 2015 compared to $5.5 million in 2014, and for the first six months, investment income was $10.4 million in 2015 compared to $11.3 million in 2014. The lower investment income in the second quarter and first six months of 2015 primarily reflects the translation effects of weaker foreign currencies to the U.S. dollar, primarily the euro and the Australian dollar, and lower yields on investments, partially offset by higher realized gains.

The effective income tax rate in the second quarter of 2015 of 31.4% decreased from 33.6% in the same period of 2014, and the effective income tax rate in the first half of 2015 of 32.0% decreased from 33.2% in the same period of 2014. The decreases for the second quarter and first half were primarily due to the mix of income generated in jurisdictions with lower tax rates in 2015 as compared to 2014.

	Three Months Ended June 30		**Six Months Ended June 30**	
($ in millions)	**2015**	2014	**2015**	2014
Domestic income before taxes	**$ 466.4**	$ 308.3	**$ 873.5**	$ 538.5
Foreign income before taxes	**185.8**	172.7	**340.4**	349.0
Total income before taxes	**$ 652.2**	$ 481.0	**$ 1,213.9**	$ 887.5
Domestic pre-tax return on revenues	**14.3%**	12.6%	**14.1%**	11.5%

Foreign pre-tax return on revenues	**10.2%**	8.1%	**9.1%**	8.2%
Total pre-tax return on revenues	**12.8%**	10.5%	**12.2%**	9.9%

For the second quarter and first half of 2015, the improvement in income before income taxes and return on revenues for domestic operations was due to higher revenues from truck and parts operations and higher truck and parts margins.

For the second quarter of 2015, the improvement in income before income taxes and return on revenues for foreign operations was primarily due to the higher revenue and margins from European truck and parts operations, which was partially offset by the translation effects of weaker foreign currencies to the U.S. dollar, primarily the euro. For the first half of 2015, the lower income before income taxes for foreign operations was primarily due to the translation effects of weaker foreign currencies to the U.S. dollar, primarily the euro.

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LIQUIDITY AND CAPITAL RESOURCES:

($ in millions)		**June 30 2015**		December 31 2014
Cash and cash equivalents	**$**	**1,963.1**	$	1,737.6
Marketable debt securities		**1,397.3**		1,272.0
	$	**3,360.4**	$	3,009.6

The Company s total cash and marketable debt securities at June 30, 2015 increased $350.8 million from the balances at December 31, 2014, primarily due to an increase in cash and cash equivalents.

The change in cash and cash equivalents is summarized below:

($ in millions)

Six Months Ended June 30,		**2015**		2014
Operating activities:				
Net income	**$**	**825.6**	$	593.1
Net income items not affecting cash		**409.7**		422.2
Changes in operating assets and liabilities, net		**(48.2)**		(174.5)
Net cash provided by operating activities		**1,187.1**		840.8
Net cash used in investing activities		**(914.7)**		(653.2)
Net cash provided by (used in) financing activities		**5.3**		(565.7)
Effect of exchange rate changes on cash		**(52.2)**		8.3
Net increase (decrease) in cash and cash equivalents		**225.5**		(369.8)
Cash and cash equivalents at beginning of period		**1,737.6**		1,750.1
Cash and cash equivalents at end of period	**$**	**1,963.1**	$	1,380.3

Operating activities: Cash provided by operations of $1,187.1 million increased $346.3 million in the first half of 2015 from $840.8 million in 2014. Higher operating cash flow reflects higher net income of $232.5 million and a higher inflow of $358.9 million for purchases of goods and services in accounts payable and accrued expenses in excess of payments. In addition, higher operating cash flows reflects $153.5 million from inventory as there was $1.5 million in net inventory reductions in 2015 compared to $152.0 million in net inventory increases in 2014. These inflows were partially offset by $418.2 million from Financial Services segment wholesale receivables, whereby

originations exceeded cash receipts in 2015 ($353.4 million) compared to cash receipts exceeding originations in 2014 ($64.8 million).

Investing activities: Cash used in investing activities of $914.7 million increased $261.5 million from the $653.2 million used in the first half of 2014, primarily due to higher cash used in the acquisitions of equipment for operating leases of $199.4 million and $124.6 million in higher net purchases of marketable securities in the first half of 2015. This was partially offset by lower payments for property, plant and equipment of $58.6 million and higher proceeds from asset disposals of $53.3 million.

Financing activities: Cash provided by financing activities was $5.3 million for the first half of 2015 compared to cash used in financing activities of $565.7 million in 2014. The Company paid $510.5 million of dividends in the first half of 2015 compared to $467.8 million paid in the first half of 2014, an increase of $42.7 million. In the first half of 2015, the Company issued $1,306.3 million of long-term debt and $106.3 million of commercial paper to repay long-term debt of $909.5 million. In the first half of 2014, the Company issued $951.5 million of long-term debt and $243.7 million of commercial paper to repay long-term debt of $1,306.4 million. This resulted in cash provided by borrowing activities of $503.1 million in the first half of 2015, $614.3 million higher than the cash used in borrowing activities of $111.2 million in the first half of 2014.

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Credit Lines and Other

The Company has line of credit arrangements of $3.45 billion, of which $3.34 billion were unused at June 30, 2015. Included in these arrangements are $3.0 billion of syndicated bank facilities, of which $1.0 billion matures in June 2016, $1.0 billion matures in June 2019 and $1.0 billion matures in June 2020. The Company intends to replace these credit facilities as they expire with facilities of similar amounts and duration. These credit facilities are maintained primarily to provide backup liquidity for commercial paper borrowings and maturing medium-term notes. There were no borrowings under the syndicated bank facilities for the six months ended June 30, 2015.

In December 2011, PACCAR s Board of Directors approved the repurchase of $300.0 million of the Company s common stock, and as of June 30, 2015, $234.7 million of shares have been repurchased pursuant to the authorization.

Truck, Parts and Other

The Company provides funding for working capital, capital expenditures, R&D, dividends, stock repurchases and other business initiatives and commitments primarily from cash provided by operations. Management expects this method of funding to continue in the future.

Investments for property, plant and equipment in the first half of 2015 were $87.0 million compared to $108.9 million for the same period of 2014, as 2014 included higher investments for the DAF Brasil factory.

In 2015, capital investments are expected to be approximately $325 to $375 million and are targeted for enhanced powertrain development and increased operating efficiency of the Company s factories and parts distribution centers. Spending on R&D in 2015 is expected to be $225 to $250 million as PACCAR will continue to focus on developing new products and services.

The Company conducts business in Spain, Italy, Portugal, Ireland, Greece, Russia, Ukraine and certain other countries which have been experiencing significant financial stress, fiscal or political strain and are subject to potential default. The Company routinely monitors its financial exposure to global financial conditions, its global counterparties and its operating environments. As of June 30, 2015, the Company had finance and trade receivables in these countries of approximately 1% of consolidated total assets. As of June 30, 2015, the Company did not have any marketable debt security investments in corporate or sovereign government securities in these countries. As of June 30, 2015, the Company s derivative counterparty credit exposures in these countries were insignificant.

Financial Services

The Company funds its financial services activities primarily from collections on existing finance receivables and borrowings in the capital markets. The primary sources of borrowings in the capital markets are commercial paper and medium-term notes issued in the public markets and, to a lesser extent, bank loans. An additional source of funds is loans from other PACCAR companies.

The Company issues commercial paper for a portion of its funding in its Financial Services segment. Some of this commercial paper is converted to fixed interest rate debt through the use of interest rate swaps, which are used to manage interest rate risk. In the event of a future significant disruption in the financial markets, the Company may not

be able to issue replacement commercial paper. As a result, the Company is exposed to liquidity risk from the shorter maturity of short-term borrowings paid to lenders compared to the longer timing of receivable collections from customers. The Company believes its cash balances and investments, collections on existing finance receivables, syndicated bank lines and current investment-grade credit ratings of A+/A1 will continue to provide it with sufficient resources and access to capital markets at competitive interest rates and therefore contribute to the Company maintaining its liquidity and financial stability. A decrease in these credit ratings could negatively impact the Company s ability to access capital markets at competitive interest rates and the Company s ability to maintain liquidity and financial stability.

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In November 2012, the Company s U.S. finance subsidiary, PACCAR Financial Corp. (PFC), filed a shelf registration under the Securities Act of 1933. The total amount of medium-term notes outstanding for PFC as of June 30, 2015 was $4.45 billion. The registration expires in November 2015 and does not limit the principal amount of debt securities that may be issued during that period. PFC intends to file a new registration statement prior to its expiration in November 2015.

As of June 30, 2015, the Company s European finance subsidiary, PACCAR Financial Europe, had 301.7 million available for issuance under a 1.50 billion medium-term note program listed on the Professional Securities Market of the London Stock Exchange. This program replaced an expiring program in the second quarter of 2015 and is renewable annually through the filing of new listing particulars.

In April 2011, PACCAR Financial Mexico registered a 10.00 billion peso medium-term note and commercial paper program with the Comision Nacional Bancaria y de Valores. The registration expires in 2016 and limits the amount of commercial paper (up to one year) to 5.00 billion pesos. At June 30, 2015, 7.45 billion pesos remained available for issuance.

PACCAR believes its Financial Services companies will be able to continue funding receivables, servicing debt and paying dividends through internally generated funds, access to public and private debt markets and lines of credit.

FORWARD-LOOKING STATEMENTS:

This report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include statements relating to future results of operations or financial position and any other statement that does not relate to any historical or current fact. Such statements are based on currently available operating, financial and other information and are subject to risks and uncertainties that may affect actual results. Risks and uncertainties include, but are not limited to: a significant decline in industry sales; competitive pressures; reduced market share; reduced availability of or higher prices for fuel; increased safety, emissions, or other regulations resulting in higher costs and/or sales restrictions; currency or commodity price fluctuations; lower used truck prices; insufficient or under-utilization of manufacturing capacity; supplier interruptions; insufficient liquidity in the capital markets; fluctuations in interest rates; changes in the levels of the Financial Services segment new business volume due to unit fluctuations in new PACCAR truck sales or reduced market shares; changes affecting the profitability of truck owners and operators; price changes impacting truck sales prices and residual values; insufficient supplier capacity or access to raw materials; labor disruptions; shortages of commercial truck drivers; increased warranty costs or litigation; cybersecurity risks to the Company s information technology systems; changes in tax rates; or legislative and governmental regulations. A more detailed description of these and other risks is included under the heading Part 1, Item 1A, Risk Factors in the Company s Annual Report on Form 10-K for the year ended December 31, 2014.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There were no material changes in the Company s market risk during the six months ended June 30, 2015. For additional information, refer to Item 7A as presented in the 2014 Annual Report on Form 10-K.

ITEM 4. CONTROLS AND PROCEDURES

The Company s management, with the participation of the Principal Executive Officer and Principal Financial Officer, conducted an evaluation of the effectiveness of the Company s disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e)) as of the period covered by this report. Based on that evaluation, the Principal Executive Officer and Principal Financial Officer concluded that the Company s disclosure controls and procedures were effective as of the end of the period covered by this report.

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There have been no significant changes in the Company s internal controls over financial reporting that occurred during the fiscal quarter covered by this quarterly report that have materially affected, or are reasonably likely to materially affect, the Company s internal control over financial reporting.

PART II OTHER INFORMATION

For Items 3, 4 and 5, there was no reportable information for the six months ended June 30, 2015.

ITEM 1. LEGAL PROCEEDINGS

In January 2011, the European Commission (EC) commenced an investigation of all major European commercial vehicle manufacturers, including subsidiaries of the Company, concerning whether such companies participated in agreements or concerted practices to coordinate their commercial policy in the European Union. On November 20, 2014, the EC issued a Statement of Objections to the manufacturers, including DAF Trucks N.V., its subsidiary DAF Trucks Deutschland GmbH and PACCAR Inc as their parent. The Statement of Objections is a procedural step in which the EC expressed its preliminary view that the manufacturers had participated in anticompetitive practices in the European Union. The EC indicated that it will seek to impose significant fines on the manufacturers. DAF is cooperating with the EC and is preparing its response to the Statement of Objections. The EC will review the manufacturers responses before issuing a decision. Any decision would be subject to appeal. The Company is unable to estimate the potential fine at this time and accordingly, no accrual for any potential fine has been made as of June 30, 2015.

The Company and its subsidiaries are parties to various lawsuits incidental to the ordinary course of business. Except for the EC matter noted above, management believes that the disposition of such lawsuits will not materially affect the Company s business or financial condition.

ITEM 1A. RISK FACTORS

For information regarding risk factors, refer to Part I, Item 1A as presented in the 2014 Annual Report on Form 10-K. There have been no material changes in the Company s risk factors during the six months ended June 30, 2015.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

For Items 2(a) and (b), there was no reportable information for the six months ended June 30, 2015.

(c) Issuer purchases of equity securities.

On December 6, 2011, the Company s Board of Directors approved a plan to repurchase up to $300 million of the Company s outstanding common stock. As of June 30, 2015, the Company has repurchased 5.7 million shares for $234.7 million under this plan. There were no repurchases made under this plan during the first six months of 2015.

ITEM 6. EXHIBITS

Any exhibits filed herewith are listed in the accompanying index to 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.

PACCAR Inc
(Registrant)

Date August 6, 2015

By /s/ M. T. Barkley
M. T. Barkley
Vice President and Controller
(Authorized Officer and Chief Accounting Officer)

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INDEX TO EXHIBITS

Exhibit (in order of assigned index numbers)

Exhibit Number			Exhibit Description	Form	Date of First Filing	Exhibit Number	File Number
(3)	(i)		Articles of Incorporation:				
		(a)	Restated Certificate of Incorporation of PACCAR Inc	8-K	September 19, 2005	99.3	001-14817
		(b)	Certificate of Amendment of Certificate of Incorporation of PACCAR Inc dated April 28, 2008	10-Q	May 2, 2008	3(b)	001-14817
	(ii)		Bylaws:				
		(a)	Third Amended and Restated Bylaws of PACCAR Inc	8-K	December 13, 2013	3(ii)	001-14817
(4)			Instruments defining the rights of security holders, including indentures**:				
		(a)	Indenture for Senior Debt Securities dated as of November 20, 2009 between PACCAR Financial Corp. and The Bank of New York Mellon Trust Company, N.A.	10-K	February 26, 2010	4(c)	001-11677
		(b)	Forms of Medium-Term Note, Series M (PACCAR Financial Corp.)	S-3	November 20, 2009	4.2 and 4.3	333-163273
		(c)	Forms of Medium-Term Note, Series N (PACCAR Financial Corp.)	S-3	November 7, 2012	4.2 and 4.3	333-184808
		(d)	Form of InterNotes, Series B (PACCAR Financial Corp.)	S-3	November 7, 2012	4.4	333-184808
		(e)	Terms and Conditions of the Notes applicable to the 1,500,000,000 Medium Term Note Programme of PACCAR Financial Europe B.V. prior to May 9, 2014	10-Q	November 7, 2013	4(i)	001-14817
		(f)	Terms and Conditions of the Notes applicable to the 1,500,000,000 Medium Term Note Programme of PACCAR Financial Europe B.V. set forth in the	10-Q	November 6, 2014	4(h)	001-14817

Base Prospectus dated May 9, 2014

(g) Terms and Conditions of the Notes applicable to the 1,500,000,000 Medium Term Note Programme of PACCAR Financial Europe B.V. set forth in the Listing Particulars dated May 11, 2015*

** Pursuant to the Instructions to Exhibits, certain instruments defining the rights of holders of long-term debt securities of the Company and its wholly owned subsidiaries are not filed because the total amount of securities authorized under any such instrument does not exceed 10 percent of the Company s total assets. The Company will file copies of such instruments upon request of the Commission.

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Exhibit Number		Exhibit Description	Form	Date of First Filing	Exhibit Number	File Number
(10)		Material Contracts:				
	(a)	PACCAR Inc Amended and Restated Supplemental Retirement Plan	10-K	February 27, 2009	10(a)	001-14817
	(b)	Amended and Restated Deferred Compensation Plan	10-Q	May 5, 2012	10(b)	001-14817
	(c)	Deferred Incentive Compensation Plan (Amended and Restated as of December 31, 2004)	10-K	February 27, 2006	10(b)	001-14817
	(d)	Second Amended and Restated PACCAR Inc Restricted Stock and Deferred Compensation Plan for Non-Employee Directors	DEF14A	March 14, 2014	10(v)	001-14817
	(e)	PACCAR Inc Restricted Stock and Deferred Compensation Plan for Non-Employee Directors, Form of Restricted Stock Agreement for Non-Employee Directors	10-K	February 27, 2009	10(e)	001-14817
	(f)	PACCAR Inc Restricted Stock and Deferred Compensation Plan for Non-Employee Directors, Form of Deferred Restricted Stock Unit Agreement for Non-Employee Directors	8-K	December 10, 2007	99.3	001-14817
	(g)	Amendment to Compensatory Arrangement with Non-Employee Directors	10-K	February 26, 2015	10(g)	001-14817
	(h)	PACCAR Inc Senior Executive Yearly Incentive Compensation Plan	DEF14A	March 10, 2011	Appendix B	001-14817
	(i)	PACCAR Inc Senior Executive Yearly Incentive Compensation Plan (effective 01/01/16)*				
	(j)	PACCAR Inc Long Term Incentive Plan*				
	(k)	PACCAR Inc Long Term Incentive Plan, Nonstatutory Stock Option Agreement and Form of Option Grant Agreement	8-K	January 25, 2005	99.1	001-14817

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Exhibit Number	Exhibit Description		Form	Date of First Filing	Exhibit Number	File Number
	(l)	Amendment One to PACCAR Inc Long Term Incentive Plan, Nonstatutory Stock Option Agreement and Form of Option Grant Agreement	10-Q	August 7, 2013	10(k)	001-14817
	(m)	PACCAR Inc Long Term Incentive Plan, 2014 Form of Nonstatutory Stock Option Agreement	10-Q	August 7, 2013	10(l)	001-14817
	(n)	PACCAR Inc Long Term Incentive Plan, Form of Restricted Stock Award Agreement	8-K	February 5, 2007	99.1	001-14817
	(o)	PACCAR Inc Long Term Incentive Plan, 2010 Form of Restricted Stock Award Agreement	10-K	February 26, 2010	10(m)	001-14817
	(p)	PACCAR Inc Long Term Incentive Plan, Alternate Form of Restricted Stock Award Agreement	10-K	March 1, 2011	10(n)	001-14817
	(q)	PACCAR Inc Long Term Incentive Plan, 2016 Restricted Stock Award Agreement*				
	(r)	PACCAR Inc Savings Investment Plan, Amendment and Restatement effective January 1, 2009	10-K	March 1, 2011	10(r)	001-14817
	(s)	Memorandum of Understanding, dated as of May 11, 2007, by and among PACCAR Engine Company, the State of Mississippi and certain state and local supporting government entities	8-K	May 16, 2007	10.1	001-14817
	(t)	Letter Waiver Dated as of July 22, 2008 amending the Memorandum of Understanding, dated as of May 11, 2007, by and among PACCAR Engine Company, the State of Mississippi and certain state and local supporting governmental entities	10-Q	October 27, 2008	10(o)	001-14817
	(u)	Second Amendment to Memorandum of Understanding dated as of September 26, 2013, by and among PACCAR Engine Company, the Mississippi Development Authority and the Mississippi Major Economic Impact Authority	10-Q	November 7, 2013	10(u)	001-14817

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Exhibit Number		Exhibit Description	Form	Date of First Filing	Exhibit Number	File Number
	(v)	Second Amended and Restated PACCAR Inc Restricted Stock and Deferred Compensation Plan for Non-Employee Directors, Form of Amended Deferred Restricted Stock Unit Grant Agreement	10-K	February 26, 2015	10(t)	001-14817
	(w)	Second Amended and Restated PACCAR Inc Restricted Stock and Deferred Compensation Plan for Non-Employee Directors, Form of Amended Restricted Stock Grant Agreement	10-K	February 26, 2015	10(u)	001-14817
(12)		Statements Re: Computation of Ratios:				
	(a)	Computation of ratio of earnings to fixed charges of the Company pursuant to SEC reporting requirements for six months ended June 30, 2015 and 2014*				
	(b)	Statement re: computation of ratio of earnings to fixed charges of the Company pursuant to SEC reporting requirements for each of the five years ended December 31, 2010 2014	10-K	February 26, 2015	12(a)	001-14817
(31)		Rule 13a-14(a)/15d-14(a) Certifications:				
	(a)	Certification of Principal Executive Officer*				
	(b)	Certification of Principal Financial Officer*				
(32)		Section 1350 Certifications:				
		Certification pursuant to rule 13a-14(b) and section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. section 1350)*				
(101.INS)		XBRL Instance Document*				
(101.SCH)		XBRL Taxonomy Extension Schema Document*				
(101.CAL)		XBRL Taxonomy Extension Calculation Linkbase Document*				
(101.DEF)		XBRL Taxonomy Extension Definition Linkbase Document*				
(101.LAB)		XBRL Taxonomy Extension Label Linkbase Document*				

(101.PRE)	XBRL Taxonomy Extension Presentation Linkbase Document*

* filed herewith