PACCAR INC
Form 10-Q
May 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 March 31, 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 354,796,684 shares as of April 30, 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 March 31	
	2015	2014
TRUCK, PARTS AND OTHER:		
Net sales and revenues	**$ 4,548.0**	$ 4,086.2
Cost of sales and revenues	**3,910.2**	3,595.5
Research and development	**56.2**	52.7
Selling, general and administrative	**109.5**	121.4
Interest and other expense, net	**4.5**	1.4
	4,080.4	3,771.0
Truck, Parts and Other Income Before Income Taxes	**467.6**	315.2
FINANCIAL SERVICES:		
Interest and fees	**110.9**	112.9
Operating lease, rental and other revenues	**173.8**	180.8
Revenues	**284.7**	293.7
Interest and other borrowing expenses	**29.1**	36.6
Depreciation and other expense	**140.4**	144.3
Selling, general and administrative	**23.5**	23.6
Provision for losses on receivables	**2.7**	3.7
	195.7	208.2
Financial Services Income Before Income Taxes	**89.0**	85.5
Investment income	**5.1**	5.8

Total Income Before Income Taxes		**561.7**		406.5
Income taxes		**183.3**		132.6
Net Income	**$**	**378.4**	$	273.9
Net Income Per Share				
Basic	**$**	**1.07**	$	.77
Diluted	**$**	**1.06**	$	.77
Weighted Average Number of Common Shares Outstanding				
Basic		**355.1**		354.9
Diluted		**356.1**		356.0
Dividends declared per share	**$**	**.22**	$	.20
Comprehensive Income	**$**	**40.9**	$	279.2

See Notes to Consolidated Financial Statements.

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Consolidated Balance Sheets (Millions)

	March 31 2015 (Unaudited)	December 31 2014*
ASSETS		
TRUCK, PARTS AND OTHER:		
Current Assets		
Cash and cash equivalents	$ 1,487.3	$ 1,665.1
Trade and other receivables, net	1,304.5	1,047.1
Marketable debt securities	1,227.2	1,272.0
Inventories, net	865.7	925.7
Other current assets	340.8	290.5
Total Truck, Parts and Other Current Assets	5,225.5	5,200.4
Equipment on operating leases, net	850.5	934.5
Property, plant and equipment, net	2,157.0	2,313.3
Other noncurrent assets, net	255.8	253.3
Total Truck, Parts and Other Assets	8,488.8	8,701.5
FINANCIAL SERVICES:		
Cash and cash equivalents	77.4	72.5
Finance and other receivables, net	8,972.6	9,042.6
Equipment on operating leases, net	2,267.2	2,306.0
Other assets	520.8	496.2
Total Financial Services Assets	11,838.0	11,917.3
	$ 20,326.8	$ 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)

		March 31 2015 (Unaudited)		December 31 2014*
LIABILITIES AND STOCKHOLDERS EQUITY				
TRUCK, PARTS AND OTHER:				
Current Liabilities				
Accounts payable, accrued expenses and other	**$**	**2,501.0**	$	2,297.2
Dividend payable				354.4
Total Truck, Parts and Other Current Liabilities		**2,501.0**		2,651.6
Residual value guarantees and deferred revenues		**882.1**		970.9
Other liabilities		**729.3**		718.8
Total Truck, Parts and Other Liabilities		**4,112.4**		4,341.3
FINANCIAL SERVICES:				
Accounts payable, accrued expenses and other		**386.0**		384.5
Commercial paper and bank loans		**2,174.6**		2,641.9
Term notes		**6,000.0**		5,588.7
Deferred taxes and other liabilities		**922.2**		909.2
Total Financial Services Liabilities		**9,482.8**		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 354.7 million and 355.2 million shares		**354.7**		355.2
Additional paid-in capital		**130.2**		156.7
Treasury stock, at cost - nil and .7 million shares				(42.7)
Retained earnings		**7,164.0**		6,863.8
Accumulated other comprehensive loss		**(917.3)**		(579.8)
Total Stockholders Equity		**6,731.6**		6,753.2

	$ 20,326.8	$ 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)

	Three Months Ended March 31	
	2015	2014
OPERATING ACTIVITIES:		
Net income	**$ 378.4**	$ 273.9
Adjustments to reconcile net income to cash provided by operations:		
Depreciation and amortization:		
Property, plant and equipment	**70.3**	65.2
Equipment on operating leases and other	**150.8**	154.6
Provision for losses on financial services receivables	**2.7**	3.7
Other, net	**(47.2)**	(23.1)
Change in operating assets and liabilities:		
Trade and other receivables	**(285.7)**	(160.9)
Wholesale receivables on new trucks	**(215.5)**	(58.1)
Sales-type finance leases and dealer direct loans on new trucks	**35.3**	21.5
Inventories	**10.0**	(143.2)
Accounts payable and accrued expenses	**313.5**	179.6
Income taxes, warranty and other	**63.6**	(27.5)
Net Cash Provided by Operating Activities	**476.2**	285.7
INVESTING ACTIVITIES:		
Originations of retail loans and direct financing leases	**(637.5)**	(662.7)
Collections on retail loans and direct financing leases	**625.4**	660.9
Net increase in wholesale receivables on used equipment	**(1.6)**	(6.8)
Purchases of marketable securities	**(322.7)**	(308.9)
Proceeds from sales and maturities of marketable securities	**276.9**	321.7
Payments for property, plant and equipment	**(54.8)**	(80.3)
Acquisitions of equipment for operating leases	**(340.9)**	(182.9)
Proceeds from asset disposals	**123.0**	83.4
Net Cash Used in Investing Activities	**(332.2)**	(175.6)
FINANCING ACTIVITIES:		
Payments of cash dividends	**(432.4)**	(389.7)

Proceeds from stock compensation transactions	**6.3**	11.6
Net (decrease) increase in commercial paper and short-term bank loans	**(347.9)**	348.7
Proceeds from long-term debt	**554.3**	11.3
Payments of long-term debt	**(20.2)**	(550.0)
Net Cash Used in Financing Activities	**(239.9)**	(568.1)
Effect of exchange rate changes on cash	**(77.0)**	(2.2)
Net Decrease in Cash and Cash Equivalents	**(172.9)**	(460.2)
Cash and cash equivalents at beginning of period	**1,737.6**	1,750.1
Cash and cash equivalents at end of period	**$ 1,564.7**	$ 1,289.9

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 months ended March 31, 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 March 31,	**2015**	2014
Additional shares	**1,030,900**	1,102,600
Antidilutive options	**1,178,900**	656,200

New Accounting Pronouncements: In April 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2015-05, *Intangibles Goodwill and Other Internal-Use Software (Subtopic 350-40): Customer s Accounting for Fees Paid in a Cloud Computing Arrangements*. 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.

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.

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

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. This ASU is effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. Early adoption is not permitted. 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. In April 2015, the FASB proposed to defer the effective date by one year to December 15, 2017, including interim periods within that reporting period. Under the proposal, early adoption may be permitted, but no sooner than the original effective date. 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.

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.

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

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

At March 31, 2015	**Amortized Cost**	**Unrealized Gains**	**Unrealized Losses**	**Fair Value**
U.S. tax-exempt securities	**$ 362.4**	**$ .8**	**$ .2**	**$ 363.0**
U.S. corporate securities	**69.5**	**.4**		**69.9**
U.S. government and agency securities	**9.1**	**.1**		**9.2**
Non-U.S. corporate securities	**516.8**	**3.9**	**.1**	**520.6**
Non-U.S. government securities	**167.2**	**2.1**		**169.3**
Other debt securities	**94.7**	**.5**		**95.2**
	$ 1,219.7	**$ 7.8**	**$ .3**	**$ 1,227.2**

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 $.8 and $.4 for the three months ended March 31, 2015 and 2014, respectively, and gross realized losses were nil and $.1 for the three months ended March 31, 2015 and 2014, respectively.

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

	March 31, 2015		December 31, 2014	
	Less than	**Twelve Months or Greater**	Less than Twelve Months	Twelve Months or Greater

	Twelve Months	
Fair value	**$ 172.2**	$ 249.6
Unrealized losses	**.3**	.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.

Contractual maturities on marketable debt securities at March 31, 2015 were as follows:

Maturities:	**Amortized Cost**	**Fair Value**
Within one year	**$ 337.9**	**$ 338.5**
One to five years	**881.8**	**888.7**
	$ 1,219.7	**$ 1,227.2**

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

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:

	March 31 2015	December 31 2014
Finished products	$ 504.0	$ 512.3
Work in process and raw materials	536.6	587.7
	1,040.6	1,100.0
Less LIFO reserve	(174.9)	(174.3)
	$ 865.7	$ 925.7

Under the LIFO method of accounting (used for approximately 49% of March 31, 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:

	March 31 2015	December 31 2014
Loans	$ 3,899.6	$ 3,968.5
Direct financing leases	2,608.7	2,752.8
Sales-type finance leases	937.6	972.8
Dealer wholesale financing	1,883.8	1,755.8
Operating lease receivables and other	122.7	99.5
Unearned interest: Finance leases	(362.0)	(384.8)

	$	**9,090.4**	$	9,164.6
Less allowance for losses:				
Loans and leases		**(100.6)**		(105.5)
Dealer wholesale financing		**(8.8)**		(9.0)
Operating lease receivables and other		**(8.4)**		(7.5)
	$	**8,972.6**	$	9,042.6

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 March 31, 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.

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

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 six 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 March 31, 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.

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.

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

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	**.3**	**(.2)**	**1.9**	**.7**	**2.7**
Charge-offs			**(2.5)**	**(.5)**	**(3.0)**
Recoveries			**.8**	**.1**	**.9**
Currency translation and other	**(.5)**	**(.2)**	**(4.7)**	**.6**	**(4.8)**
Balance at March 31	**$ 8.8**	**$ 11.5**	**$ 89.1**	**$ 8.4**	**$ 117.8**

	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	.4	(.4)	2.9	.8	3.7
Charge-offs			(3.5)	(1.1)	(4.6)
Recoveries			1.7	.2	1.9
Currency translation and other		(.1)	.1		
Balance at March 31	$ 10.8	$ 12.9	$ 98.7	$ 7.9	$ 130.3

* Operating leases and other trade receivables.

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

	Dealer		Customer	
At March 31, 2015	**Wholesale**	**Retail**	**Retail**	**Total**
Recorded investment for impaired finance receivables evaluated individually	**$ 3.0**		**$ 44.8**	**$ 47.8**
	.5		**4.1**	**4.6**

Allowance for impaired finance receivables determined individually				
Recorded investment for finance receivables evaluated collectively	**1,880.8**	**$ 1,555.0**	**5,484.1**	**8,919.9**
Allowance for finance receivables determined collectively	**8.3**	**11.5**	**85.0**	**104.8**

	Dealer		Customer	
At December 31, 2014	Wholesale	Retail	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

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

		March 31 2015		December 31 2014
Dealer:				
Wholesale	$	3.0	$	4.9
Customer retail:				
Fleet		33.7		34.4
Owner/operator		8.3		8.9
	$	45.0	$	48.2

Impaired Loans

Impaired loans with no specific reserves were $15.0 and $16.7 at March 31, 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 March 31, 2015 and December 31, 2014 was not significantly different than the unpaid principal balance.

	Dealer			Customer Retail				
At March 31, 2015		**Wholesale**	**Retail**		**Fleet**		**Owner/ Operator**		**Total**
Impaired loans with a specific reserve	$	.5		$	12.1	$	2.4	$	15.0
Associated allowance		(.5)			(1.5)		(.4)		(2.4)
Net carrying amount of impaired loans				$	10.6	$	2.0	$	12.6
Average recorded investment*	$	7.7		$	23.2	$	2.6	$	33.5

* Represents the average during the 12 months ended March 31, 2015.

At December 31, 2014	Dealer Wholesale	Dealer Retail	Customer Retail Fleet	Customer Retail 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*	$ 6.2		$ 27.7	$ 4.3	$ 38.2

* Represents the average during the 12 months ended March 31, 2014.

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

Three Months Ended March 31,	**2015**	2014
Interest income recognized:		
Dealer wholesale		$ .1
Customer retail - fleet	**$ .3**	.3
Customer retail - owner/operator	**.1**	.1
	$ .4	$ .5

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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 March 31, 2015	**Wholesale**	**Retail**	**Fleet**	**Owner/ Operator**	**Total**
Performing	**$ 1,844.6**	**$ 1,554.9**	**$ 4,328.6**	**$ 1,111.1**	**$ 8,839.2**
Watch	**36.2**	**.1**	**33.7**	**10.7**	**80.7**
At-risk	**3.0**		**36.7**	**8.1**	**47.8**
	$ 1,883.8	**$ 1,555.0**	**$ 4,399.0**	**$ 1,129.9**	**$ 8,967.7**

	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

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

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 March 31, 2015	**Wholesale**	**Retail**	**Fleet**	**Owner/ Operator**	**Total**
Current and up to 30 days past due	**$ 1,876.6**	**$ 1,555.0**	**$ 4,366.6**	**$ 1,115.5**	**$ 8,913.7**
31 60 days past due	**5.7**		**17.1**	**7.3**	**30.1**
Greater than 60 days past due	**1.5**		**15.3**	**7.1**	**23.9**
	$ 1,883.8	**$ 1,555.0**	**$ 4,399.0**	**$ 1,129.9**	**$ 8,967.7**

	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

Troubled Debt Restructurings

The balance of TDRs was $34.4 and $36.0 at March 31, 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:

hree Months Ended March 31,	**2015**		2014	
	Recorded Investment		Recorded Investment	
	Pre-Modification	**Post-Modification**	Pre-Modification	Post-Modification
eet	**$ 3.9**	**$ 3.8**	$ 4.9	$ 4.9

wner/operator	**.9**	**.9**	1.0	1.0
	$ 4.8	**$ 4.7**	$ 5.9	$ 5.9

The effect on the allowance for credit losses from such modifications was not significant at March 31, 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:

Three Months Ended March 31,	**2015**	2014
Fleet	**$ 2.0**	$ .2
Owner/operator	**.4**	.1
	$ 2.4	$ .3

The TDRs that subsequently defaulted did not significantly impact the Company s allowance for credit losses at March 31, 2015 and 2014.

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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 March 31, 2015 and December 31, 2014 was $8.8 and $19.0, respectively. Proceeds from the sales of repossessed assets were $17.3 and $12.7 for the three months ended March 31, 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	**167.3**	170.2
Payments and revenue recognized	**(116.6)**	(114.2)
Currency translation	**(37.3)**	1.5
Balance at March 31	**$ 786.2**	$ 688.0

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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 March 31,	**2015**	2014
Net income	**$ 378.4**	$ 273.9
Other comprehensive income (OCI):		
Unrealized (losses) gains on derivative contracts	**(.2)**	1.7
Tax effect	**.4**	(.6)
	.2	1.1
Unrealized gains on marketable debt securities	**.5**	1.2
Tax effect	**(.2)**	(.2)
	.3	1.0
Pension plans	**21.7**	6.4
Tax effect	**(6.8)**	(2.1)
	14.9	4.3
Foreign currency translation losses	**(352.9)**	(1.1)
Net other comprehensive (loss) income	**(337.5)**	5.3
Comprehensive income	**$ 40.9**	$ 279.2

Accumulated Other Comprehensive Loss

The components of AOCI as of March 31, 2015 and December 31, 2014 and the changes in AOCI, net of tax, included in the Consolidated Balance Sheets, consisted of the following:

Total

	Derivative Contracts	Marketable Debt Securities	Pension Plans	Foreign Currency Translation	
Balance at December 31, 2014	**$ (13.5)**	**$ 5.3**	**$ (433.1)**	**$ (138.5)**	**$ (579.8)**
Recorded into AOCI	**21.3**	**.9**	**8.1**	**(352.9)**	**(322.6)**
Reclassified out of AOCI	**(21.1)**	**(.6)**	**6.8**		**(14.9)**
Net other comprehensive income (loss)	**.2**	**.3**	**14.9**	**(352.9)**	**(337.5)**
Balance at March 31, 2015	**$ (13.3)**	**$ 5.6**	**$ (418.2)**	**$ (491.4)**	**$ (917.3)**

	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	6.1	.7	.6	(1.1)	6.3
Reclassified out of AOCI	(5.0)	.3	3.7		(1.0)
Net other comprehensive income (loss)	1.1	1.0	4.3	(1.1)	5.3
Balance at March 31, 2014	$ (14.0)	$ 2.7	$ (257.9)	$ 283.2	$ 14.0

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

Reclassifications out of AOCI during the three months ended March 31, 2015 are as follows:

AOCI Components	Line Item in the Consolidated Statements of Comprehensive Income		Amount Reclassified Out of AOCI
Unrealized (gains) and losses on derivative contracts:			
Truck, Parts and Other			
Foreign-exchange contracts	**Cost of sales and revenues**	**$**	**3.2**
	Interest and other expense, net		**(1.9)**
Financial Services			
Interest-rate contracts	**Interest and other borrowing expenses**		**(33.2)**
	Pre-tax expense reduction		**(31.9)**
	Tax expense		**10.8**
	After-tax expense reduction		**(21.1)**
Unrealized (gains) and losses on marketable debt securities:			
Marketable debt securities	**Investment income**		**(.8)**
	Tax expense		**.2**
	After-tax income increase		**(.6)**
Pension plans:			
Truck, Parts and Other			
Actuarial loss	**Cost of sales and revenues $5.4, SG&A $4.3**		**9.7**
Prior service costs	**Cost of sales and revenues $.2, SG&A $.1**		**.3**
Financial Services			
Actuarial loss	**SG&A**		**.4**
	Pre-tax expense increase		**10.4**
	Tax benefit		**(3.6)**
	After-tax expense increase		**6.8**
Total reclassifications out of AOCI		**$**	**(14.9)**

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

Reclassifications out of AOCI during the three months ended March 31, 2014 are as follows:

AOCI Components	Line Item in the Consolidated Statements of Comprehensive Income	Amount Reclassified Out of AOCI
Unrealized (gains) and losses on derivative contracts:		
Truck, Parts and Other		
Foreign-exchange contracts	Cost of sales and revenues	$ .1
	Interest and other expense, net	(.1)
Financial Services		
Interest-rate contracts	Interest and other borrowing expenses	(6.9)
	Pre-tax expense reduction	(6.9)
	Tax expense	1.9
	After-tax expense reduction	(5.0)
Unrealized (gains) and losses on marketable debt securities:		
Marketable debt securities	Investment income	.4
	Tax benefit	(.1)
	After-tax income reduction	.3
Pension plans:		
Truck, Parts and Other		
Actuarial loss	Cost of sales and revenues $2.7, SG&A $2.2	4.9
Prior service costs	Cost of sales and revenues $.2, SG&A $.1	.3
Financial Services		
Actuarial loss	SG&A	.3
	Pre-tax expense increase	5.5
	Tax benefit	(1.8)
	After-tax expense increase	3.7
Total reclassifications out of AOCI		$ (1.0)

Stock Compensation Plans

Stock-based compensation expense was $7.8 and $7.5 for the three months ended March 31, 2015 and 2014, respectively. Realized tax benefits related to the excess of deductible amounts over expense recognized amounted to $1.2 and $1.3 for the three months ended March 31, 2015 and 2014, respectively, and have been classified as a financing cash flow.

During the first three months of 2015, the Company issued 267,314 common shares under deferred and stock compensation arrangements. In addition, the Company retired 731,355 treasury shares.

NOTE G - Income Taxes

The effective income tax rate in the first quarter of 2015 and 2014 was of 32.6% for both periods.

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

NOTE H - Segment Information

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

Three Months Ended March 31,	**2015**	2014
Net sales and revenues:		
Truck	**$ 3,980.8**	$ 3,488.6
Less intersegment	**(211.7)**	(159.4)
External customers	**3,769.1**	3,329.2
Parts	**764.4**	737.2
Less intersegment	**(11.7)**	(10.6)
External customers	**752.7**	726.6
Other	**26.2**	30.4
	4,548.0	4,086.2
Financial Services	**284.7**	293.7
	$ 4,832.7	$ 4,379.9
Income (loss) before income taxes:		
Truck	**$ 339.1**	$ 212.3
Parts	**138.9**	112.1
Other	**(10.4)**	(9.2)
	467.6	315.2
Financial Services	**89.0**	85.5
Investment income	**5.1**	5.8
	$ 561.7	$ 406.5
Depreciation and amortization:		
Truck	**$ 97.0**	$ 99.7
Parts	**1.5**	1.4
Other	**3.6**	2.6
	102.1	103.7

Financial Services	**119.0**	116.1
	$ 221.1	$ 219.8

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.

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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 March 31, 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.

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 March 31, 2015, the notional amount of the Company s interest-rate contracts was $3,795.8. Notional maturities for all interest-rate contracts are $1,004.7 for the remainder of 2015, $1,285.8 for 2016, $638.1 for 2017, $643.9 for 2018, $82.0 for 2019 and $141.3 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.

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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 March 31, 2015, the notional amount of the outstanding foreign-exchange contracts was $292.9. Foreign-exchange contracts mature within one year.

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

	March 31, 2015		December 31, 2014	
	Assets	**Liabilities**	Assets	Liabilities
Derivatives designated under hedge accounting:				
Interest-rate contracts:				
Financial Services:				
Other assets	**$ 147.2**		$ 82.7	
Deferred taxes and other liabilities		**$ 75.9**		$ 45.7
Foreign-exchange contracts:				
Truck, Parts and Other:				
Other current assets	**1.9**		1.2	
Accounts payable, accrued expenses and other		**1.5**		1.9
Total	**$ 149.1**	**$ 77.4**	$ 83.9	$ 47.6
Economic hedges:				
Foreign-exchange contracts:				
Truck, Parts and Other:				
Other current assets	**$ 1.4**		$ 1.9	
Accounts payable, accrued expenses and other		**$ 1.2**		$ .9
Financial Services:				
Other assets	**1.9**		3.4	
Deferred taxes and other liabilities		**.2**		
Total	**$ 3.3**	**$ 1.4**	$ 5.3	$ .9
Gross amounts recognized in Balance Sheet	**$ 152.4**	**$ 78.8**	$ 89.2	$ 48.5
Less amounts not offset in financial instruments:				
Truck, Parts and Other:				

Foreign-exchange contracts	**(.9)**	**(.9)**	(.9)	(.9)
Financial Services:				
Foreign-exchange contracts	**(.1)**	**(.1)**		
Interest-rate contracts	**(7.1)**	**(7.1)**	(3.9)	(3.9)
Pro forma net amount	**$ 144.3**	**$ 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 March 31,	**2015**	2014
Interest-rate swaps	**$ (1.4)**	$ .1
Term notes	**1.1**	(1.1)

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 5.9 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 cost of sales or to Financial Services interest expense, consistent with the hedged transaction. The Company recognized no gains or losses on the ineffective portions for both the three months ended March 31, 2015 and 2014.

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

	2015		2014	
Three Months Ended March 31,	**Interest-Rate Contracts**	**Foreign-Exchange Contracts**	Interest-Rate Contracts	Foreign-Exchange Contracts
Gain (loss) recognized in OCI:				
Truck, Parts and Other				$ .2
Financial Services	**$ 31.7**		$ 8.4	
Total	**$ 31.7**		$ 8.4	$ .2

Expense (income) reclassified out of AOCI into income:

	2015		2014	
Three Months Ended March 31,	**Interest-Rate Contracts**	**Foreign-Exchange Contracts**	Interest-Rate Contracts	Foreign-Exchange Contracts
Truck, Parts and Other:				
Cost of sales and revenues		**$ 3.2**		$ .1
Interest and other expense, net		**(1.9)**		(.1)
Financial Services:				
Interest and other borrowing expenses	**$ (33.2)**		$ (6.9)	
Total	**$ (33.2)**	**$ 1.3**	$ (6.9)	

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

The amount of loss recorded in AOCI at March 31, 2015 that is estimated to be reclassified to interest expense or cost of sales in the following 12 months if interest rates and exchange rates remain unchanged is approximately $17.0, 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.

For the quarters ended March 31, 2015 and 2014, expense (income) recognized in earnings related to interest-rate contracts were nil for both periods. The expense (income) recognized in earnings related to foreign-exchange contracts was as follows:

Three Months Ended March 31,	**2015**	2014
Truck, Parts and Other:		
Cost of sales and revenues	**$ (1.7)**	$ .2
Interest and other expense, net	**2.1**	(.9)
Financial Services:		
Interest and other borrowing expenses	**(14.5)**	.5
Selling, general and administrative	**(.2)**	
Total	**$ (14.3)**	$ (.2)

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 three months ended March 31, 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 March 31, 2015	Level 1	Level 2	Total
Assets:			
Marketable debt securities			
U.S. tax-exempt securities		$ 363.0	$ 363.0
U.S. corporate securities		69.9	69.9
U.S. government and agency securities	$ 8.7	.5	9.2
Non-U.S. corporate securities		520.6	520.6
Non-U.S. government securities		169.3	169.3
Other debt securities		95.2	95.2
Total marketable debt securities	$ 8.7	$ 1,218.5	$ 1,227.2
Derivatives			
Cross currency swaps		$ 145.2	$ 145.2

Interest-rate swaps		**2.0**		**2.0**
Foreign-exchange contracts		**5.2**		**5.2**
Total derivative assets	**$**	**152.4**	**$**	**152.4**
Liabilities:				
Derivatives				
Cross currency swaps	**$**	**60.0**	**$**	**60.0**
Interest-rate swaps		**15.9**		**15.9**
Foreign-exchange contracts		**2.9**		**2.9**
Total derivative liabilities	**$**	**78.8**	**$**	**78.8**

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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:

	March 31, 2015		December 31, 2014	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Assets:				
Financial Services fixed rate loans	**$ 3,551.5**	**$ 3,611.5**	$ 3,627.5	$ 3,683.3
Liabilities:				
Financial Services fixed rate debt	**4,175.5**	**4,206.5**	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 March 31,	**2015**	2014
Service cost	**$ 21.6**	$ 17.0
Interest on projected benefit obligation	**22.9**	23.0
Expected return on assets	**(34.8)**	(32.0)
Amortization of prior service costs	**.3**	.3
Recognized actuarial loss	**10.1**	5.2
Net pension expense	**$ 20.1**	$ 13.5

During the three months ended March 31, 2015 and 2014, the Company contributed $2.7 and $4.2 to its pension plans, 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 first quarter of 2015 increased to $4.83 billion from $4.38 billion in the first quarter of 2014. The Company s worldwide truck net sales and revenues in the first quarter of 2015 increased to $3.77 billion from $3.33 billion in the first quarter of 2014, reflecting stronger industry truck sales in North America, 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 increased to $752.7 million in the first quarter of 2015 from $726.6 million in the first quarter of 2014, reflecting higher freight demand, fleet utilization and growth in the size of the North American truck parc, partially offset by currency translation effects. Financial Services revenue was $284.7 million in the first quarter of 2015 compared to $293.7 million in the same period in 2014, reflecting currency translation effects and lower market interest rates.

Net income in the first quarter of 2015 increased to $378.4 million ($1.06 per diluted share) from $273.9 million ($.77 per diluted share) in the first quarter of 2014, reflecting stronger industry truck sales in North America and strong aftermarket Parts results. The U.S. and Canada truck market is benefiting from record freight demand and expansion of industry fleet capacity, and Kenworth and Peterbilt s primary truck factories are manufacturing at record levels.

In the first quarter of 2015, the Company s R&D expenses were $56.2 million compared to $52.7 million in the first quarter of 2014. R&D is focused on powertrain and new vehicle development.

Truck and Parts Outlook

Class 8 truck industry retail sales in the U.S. and Canada in 2015 are expected to be 260,000 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 220,000 to 250,000 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 90,000 to 110,000 units in 2015, compared to 129,000 units in 2014.

In 2015, PACCAR Parts sales are expected to grow 6-10% 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. Research and development 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.

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

RESULTS OF OPERATIONS:

($ in millions, except per share amounts)

Three Months Ended March 31,	**2015**	2014
Net sales and revenues:		
Truck	**$ 3,769.1**	$ 3,329.2
Parts	**752.7**	726.6
Other	**26.2**	30.4
Truck, Parts and Other	**4,548.0**	4,086.2
Financial Services	**284.7**	293.7
	$ 4,832.7	$ 4,379.9
Income (loss) before taxes:		
Truck	**$ 339.1**	$ 212.3
Parts	**138.9**	112.1
Other	**(10.4)**	(9.2)
Truck, Parts and Other	**467.6**	315.2
Financial Services	**89.0**	85.5
Investment income	**5.1**	5.8
Income taxes	**(183.3)**	(132.6)
Net income	**$ 378.4**	$ 273.9
Diluted earnings per share	**$ 1.06**	$ .77
Return on revenues	**7.8%**	6.3%

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 78.0% of revenues in the first quarter of 2015 compared to 76.0% in the first quarter of 2014.

($ in millions)

Three Months Ended March 31,	**2015**	2014	% Change
Truck net sales and revenues:			
U.S. and Canada	**$ 2,625.9**	$ 1,959.1	34
Europe	**772.5**	962.6	(20)
Mexico, South America, Australia and other	**370.7**	407.5	(9)
	$ 3,769.1	$ 3,329.2	13
Truck income before income taxes	**$ 339.1**	$ 212.3	60
Pre-tax return on revenues	**9.0%**	6.4%	

The Company s worldwide truck net sales and revenues in the first quarter of 2015 increased to $3.77 billion from $3.33 billion in the first quarter of 2014, primarily due to higher truck deliveries in North America. This was partially offset by the effects of translating weaker foreign currencies to the U.S. dollar, primarily the euro, which reduced worldwide truck net sales and revenues by $231.7 million.

For the first quarter of 2015, Truck segment income before income taxes and pre-tax return on revenues reflect higher truck unit deliveries in North America, improved gross margins and lower SG&A spending. 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 March 31,	**2015**	2014	% Change
U.S.	**21,400**	16,100	33
Canada	**3,000**	2,500	20
U.S. and Canada	**24,400**	18,600	31

Europe	**10,100**	9,300	9
Mexico, South America, Australia and other	**3,800**	3,900	(3)
Total units	**38,300**	31,800	20

In the first quarter of 2015, industry retail sales in the heavy-duty market in the U.S. and Canada increased to 62,900 units from 50,300 units in the same period of 2014. The Company s heavy-duty truck retail market share was 27.3% in the first quarter of 2015 compared to 27.2% in the first quarter of 2014. The medium-duty market was 21,300 units in the first quarter of 2015 compared to 18,000 units in the same period of 2014. The Company s medium-duty market share was 16.9% in the first quarter of 2015 compared to 16.7% in the first quarter of 2014.

The over 16-tonne truck market in Western and Central Europe in the first quarter of 2015 was 62,800 units compared to 54,100 units in the first quarter of 2014. The Company s market share was 15.2% in the first quarter of 2015 compared to 12.2% in the same period of 2014. The 6 to 16-tonne market in the first quarter of 2015 was 10,000 units compared to 11,000 units in the first quarter of 2014. DAF market share in the 6 to 16-tonne market in the first quarter of 2015 was 8.9% compared to 6.4% in the same period of 2014.   .

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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 three months ended March 31, 2015 and 2014 for the Truck segment are as follows:

($ in millions)	Net Sales	Cost of Sales	Gross Margin
Three Months Ended March 31, 2014	**$ 3,329.2**	**$ 3,032.7**	**$ 296.5**
Increase (decrease)			
Truck delivery volume	**659.4**	**546.9**	**112.5**
Average truck sales prices	**26.5**		**26.5**
Average per truck material, labor and other direct costs		**(20.4)**	**20.4**
Factory overhead and other indirect costs		**13.5**	**(13.5)**
Operating leases	**(14.3)**	**(13.7)**	**(.6)**
Currency translation	**(231.7)**	**(215.8)**	**(15.9)**
Total increase	**439.9**	**310.5**	**129.4**
Three Months Ended March 31, 2015	**$ 3,769.1**	**$ 3,343.2**	**$ 425.9**

Truck delivery volume reflects higher truck deliveries in the U.S. and Canada which resulted in higher sales ($679.3 million) and cost of sales ($565.8 million), partially offset by lower truck deliveries in Latin America which resulted in lower sales ($16.6 million) and cost of sales ($13.6 million).

Average truck sales prices increased sales by $26.5 million, primarily driven by improved price realization in the North American market.

Average cost per truck decreased cost of sales by $20.4 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 $13.5 million, primarily due to higher salaries and related expenses ($8.3 million) to support higher sales volume and higher depreciation expense ($2.4 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 quarter of 2015 of 11.3% increased from 8.9% in the same period in 2014 due to the factors noted above.

Truck SG&A expenses for the first quarter of 2015 decreased to $45.8 million from $54.0 million in the first quarter of 2014. The decrease was primarily due to lower salaries and related expenses ($6.1 million) and currency translation ($3.3 million), primarily related to a decline in the value of the euro relative to the U.S. dollar.

As a percentage of sales, Truck SG&A decreased to 1.2% in the first quarter of 2015 compared to 1.6% in the same period of 2014, reflecting higher sales volume and ongoing cost controls.

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Parts

The Company s Parts segment accounted for 15.6% of revenues in the first quarter of 2015 compared to 16.6% in the first quarter of 2014.

($ in millions)

Three Months Ended March 31,	**2015**	2014	% Change
Parts net sales and revenues:			
U.S. and Canada	**$ 483.1**	$ 424.0	14
Europe	**195.0**	218.2	(11)
Mexico, South America, Australia and other	**74.6**	84.4	(12)
	$ 752.7	$ 726.6	4
Parts income before income taxes	**$ 138.9**	$ 112.1	24
Pre-tax return on revenues	**18.5%**	15.4%	

The Company s worldwide parts net sales and revenues increased in the first quarter of 2015 primarily due to higher aftermarket demand in the U.S., Canada 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 worldwide parts net sales and revenues by $48.7 million.

The increase in Parts segment income before taxes and pre-tax return on revenues in the first quarter of 2015 was primarily due to higher sales and gross margins and lower SG&A spending. This was partially offset by a decline in the value of foreign currencies relative to the U.S. dollar, primarily the euro, which reduced Parts segment income before income taxes by $9.1 million.

The major factors for the changes in net sales and revenues, cost of sales and revenues and gross margin between the three months ended March 31, 2015 and 2014 for the Parts segment are as follows:

($ in millions)	**Net Sales**	**Cost of Sales**	**Gross Margin**
Three Months Ended March 31, 2014	**$ 726.6**	**$ 539.1**	**$ 187.5**
Increase (decrease)			
Aftermarket parts volume	**45.0**	**22.0**	**23.0**
Average aftermarket parts sales prices	**29.8**		**29.8**

Average aftermarket parts direct costs				**15.0**		**(15.0)**
Warehouse and other indirect costs				**2.0**		**(2.0)**
Currency translation		**(48.7)**		**(31.7)**		**(17.0)**
Total increase		**26.1**		**7.3**		**18.8**
Three Months Ended March 31, 2015	**$**	**752.7**	**$**	**546.4**	**$**	**206.3**

Higher market demand, primarily in the U.S., Canada and Europe, resulted in increased aftermarket parts sales volume of $45.0 million and related cost of sales by $22.0 million.

Average aftermarket parts sales prices increased sales by $29.8 million reflecting improved price realization, primarily in the U.S., Canada and Europe.

Average aftermarket parts direct costs increased $15.0 million due to higher material costs.

Warehouse and other indirect costs increased $2.0 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 quarter of 2015 increased to 27.4% from 25.8% in the first quarter of 2014 due to the factors noted above.

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Parts SG&A decreased to $48.2 million in the first quarter of 2015 compared to $51.8 million in the first quarter of 2014. The decrease was primarily due to currency translation ($4.7 million), primarily related to a decline in the value of the euro relative to the U.S. dollar, partially offset by higher salaries and related expenses ($2.3 million). As a percentage of sales, Parts SG&A decreased to 6.4% in the first quarter of 2015 compared to 7.1% in the same period of 2014 primarily due to higher sales volume.

Financial Services

The Company s Financial Services segment accounted for 5.9% of revenues in the first quarter of 2015 compared to 6.7% in the first quarter of 2014.

($ in millions)

Three Months Ended March 31,	**2015**	2014	% Change
New loan and lease volume:			
U.S. and Canada	**$ 560.6**	$ 480.0	17
Europe	**238.0**	225.0	6
Mexico and Australia	**155.5**	158.3	(2)
	$ 954.1	$ 863.3	11
New loan and lease volume by product:			
Loans and finance leases	**$ 683.8**	$ 710.9	(4)
Equipment on operating lease	**270.3**	152.4	77
	$ 954.1	$ 863.3	11
New loan and lease unit volume:			
Loans and finance leases	**6,800**	6,800	
Equipment on operating lease	**2,600**	1,500	73
	9,400	8,300	13
Average earning assets:			
U.S. and Canada	**$ 7,077.6**	$ 6,525.7	8
Europe	**2,453.4**	2,738.8	(10)
Mexico and Australia	**1,612.9**	1,719.3	(6)
	$ 11,143.9	$ 10,983.8	1
Average earning assets by product:			
Loans and finance leases	**$ 7,189.6**	$ 7,166.0	
Dealer wholesale financing	**1,562.1**	1,434.3	9
Equipment on lease and other	**2,392.2**	2,383.5	
	$ 11,143.9	$ 10,983.8	1

Revenues:			
U.S. and Canada	**$ 160.9**	$ 153.4	5
Europe	**68.1**	80.1	(15)
Mexico and Australia	**55.7**	60.2	(7)
	$ 284.7	$ 293.7	(3)
Revenues by product:			
Loans and finance leases	**$ 97.6**	$ 100.5	(3)
Dealer wholesale financing	**13.3**	12.4	7
Equipment on lease and other	**173.8**	180.8	(4)
	$ 284.7	$ 293.7	(3)
Income before income taxes	**$ 89.0**	$ 85.5	4

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New loan and lease volume of $954.1 million in the first quarter of 2015 increased from $863.3 million in the first quarter 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.

In the first quarter of 2015, PFS s finance share on new PACCAR truck sales was 23.8% compared to 26.8% in the first quarter of 2014 due to increased competition.

In the first quarter of 2015, PFS revenue decreased to $284.7 million from $293.7 million in 2014. The decrease 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 currency exchange impact lowered PFS revenues by $16.1 million.

Income before income taxes increased to $89.0 million in the first quarter of 2015 from $85.5 million in 2014. The increase in income before income taxes was primarily due to higher average earning asset balances and lower borrowing rates, partially offset by currency translation and lower yields. The currency exchange impact lowered PFS income before income taxes by $3.2 million.

The major factors for the changes in interest and fees, interest and other borrowing expenses and finance margin for the three months ended March 31, 2015 are outlined below:

($ in millions)	Interest and Fees	Interest and Other Borrowing Expenses	Finance Margin
Three Months Ended March 31, 2014	$ 112.9	$ 36.6	$ 76.3
Increase (decrease)			
Average finance receivables	8.7		8.7
Average debt balances		1.6	(1.6)
Yields	(5.1)		(5.1)
Borrowing rates		(7.3)	7.3
Currency translation	(5.6)	(1.8)	(3.8)
Total (decrease) increase	(2.0)	(7.5)	5.5
Three Months Ended March 31, 2015	$ 110.9	$ 29.1	$ 81.8

Average finance receivables increased $696.2 million (excluding foreign exchange effects) in the first quarter of 2015 as a result of retail portfolio new business volume exceeding collections.

Average debt balances increased $456.3 million (excluding foreign exchange effects) in the first 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 5.4% in 2014) and lower borrowing rates (1.5% in 2015 compared to 1.9% 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 following table summarizes operating lease, rental and other revenues and depreciation and other expense:

($ in millions)

Three Months Ended March 31,	**2015**	2014
Operating lease rental revenues	**$ 168.4**	$ 173.5
Used truck sales and other	**5.4**	7.3
Operating lease, rental and other revenues	**$ 173.8**	$ 180.8
Depreciation of operating lease equipment	**$ 115.3**	$ 114.8
Vehicle operating expenses	**22.1**	25.4
Cost of used truck sales and other	**3.0**	4.1
Depreciation and other expense	**$ 140.4**	$ 144.3

The major factors for the changes in operating lease, rental and other revenues, depreciation and other expense and lease margin for the three months ended March 31, 2015 are outlined below:

($ in millions)	**Operating Lease, Rental and Other Revenues**	**Depreciation and Other Expense**	**Lease Margin**
Three Months Ended March 31, 2014	**$ 180.8**	**$ 144.3**	**$ 36.5**
Increase (decrease)			
Used truck sales	**(1.3)**	**(.9)**	**(.4)**
Results on returned lease assets		**2.2**	**(2.2)**
Average operating lease assets	**6.5**	**4.7**	**1.8**
Revenue and cost per asset	**(1.1)**	**(.2)**	**(.9)**
Currency translation and other	**(11.1)**	**(9.7)**	**(1.4)**
Total decrease	**(7.0)**	**(3.9)**	**(3.1)**
Three Months Ended March 31, 2015	**$ 173.8**	**$ 140.4**	**$ 33.4**

A lower volume of used truck sales decreased operating lease, rental and other revenues by $1.3 million and decreased depreciation and other expense by $.9 million.

Average operating lease assets increased $152.9 million (excluding foreign exchange effects), which increased revenues by $6.5 million and related depreciation and other expense by $4.7 million.

Revenue per asset decreased $1.1 million due to lower rental income in Mexico and lower fuel surcharges in the U.S., partially offset by higher rental rates in the U.S. Cost per asset decreased $.2 million primarily due to lower fuel expense in the U.S., partially offset by higher maintenance costs in Europe.

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

($ in millions)		2015				2014		
Three Months Ended March 31,		**Provision For Losses on Receivables**		**Net Charge-Offs**		Provision For Losses on Receivables		Net Charge-Offs
U.S. and Canada	**$**	**.6**	**$**	**.3**	$	1.5	$	.5
Europe		**1.1**		**.8**		2.2		2.2
Mexico and Australia		**1.0**		**1.0**				
	$	**2.7**	**$**	**2.1**	$	3.7	$	2.7

The provision for losses on receivables was $2.7 million for the first quarter of 2015, a decrease of $1.0 million compared to the first quarter of 2014, mainly due to improved portfolio performance in all markets except Mexico and Australia.

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).

The post-modification balance of accounts modified during the three months ended March 31, 2015 and 2014 are summarized below:

($ in millions)		2015			2014	
Three Months Ended March 31,		**Recorded Investment**	**% of Total Portfolio***		Recorded Investment	% of Total Portfolio*
Commercial	**$**	**31.7**	**1.8%**	$	47.5	2.7%
Insignificant delay		**15.9**	**.9%**		36.7	2.0%
Credit - no concession		**14.5**	**.8%**		6.5	.4%
Credit - TDR		**4.7**	**.3%**		5.9	.3%

	$	**66.8**	**3.8%**	$	96.6	5.4%

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

During the first quarter 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 no concession 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 a five-month extension granted to one customer in Australia.

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

	March 31 2015	December 31 2014	March 31 2014
Percentage of retail loan and lease accounts 30+ days past due:			
U.S. and Canada	**.1%**	.1%	.3%
Europe	**1.3%**	1.1%	1.1%
Mexico and Australia	**2.7%**	2.0%	1.5%
Worldwide	**.7%**	.5%	.6%

Accounts 30+ days past due were .7% at March 31, 2015 and have increased .2% from December 31, 2014 due to higher past due accounts in Europe, Mexico and Australia. 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 $3.0 million of accounts worldwide during the first quarter of 2015, $4.0 million during the fourth quarter of 2014 and $3.3 million during the first 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:

	March 31 2015	December 31 2014	March 31 2014
Pro forma percentage of retail loan and lease accounts 30+ days past due:			
U.S. and Canada	**.1%**	.1%	.3%
Europe	**1.3%**	1.2%	1.1%
Mexico and Australia	**2.9%**	2.3%	1.7%
Worldwide	**.7%**	.6%	.7%

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 March 31, 2015, December 31, 2014 and March 31, 2014. The effect on the allowance for credit losses from such modifications was not significant at March 31, 2015, December 31, 2014 and March 31, 2014.

The Company s annualized pre-tax return on average earning assets for Financial Services was 3.2% in the first quarter of 2015 and 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 first quarter of 2015 and 2014. Other SG&A was $15.5 million for both the first quarter of 2015 and 2014. For the first quarter, other income (loss) before tax was a loss of $10.4 million in 2015 compared to a loss of $9.2 million in 2014. The higher loss in 2015 was primarily due to lower income before tax from the winch business.

Investment income was $5.1 million in the first quarter of 2015 compared to $5.8 million in 2014. The lower investment income in the first quarter of 2015 primarily reflects the translation effects of weaker foreign currencies to the U.S. dollar, primarily the euro, and lower yields on investments, partially offset by higher realized gains.

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The effective income tax rate in the first quarter of 2015 and 2014 was 32.6% for both periods.

($ in millions)

Three Months Ended March 31,	**2015**	2014
Domestic income before taxes	**$ 407.1**	$ 230.2
Foreign income before taxes	**154.6**	176.3
Total income before taxes	**$ 561.7**	$ 406.5
Domestic pre-tax return on revenues	**13.9%**	10.3%
Foreign pre-tax return on revenues	**8.1%**	8.3%
Total pre-tax return on revenues	**11.6%**	9.3%

For the first quarter 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 first quarter 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.

LIQUIDITY AND CAPITAL RESOURCES:

($ in millions)	**March 31 2015**	December 31 2014
Cash and cash equivalents	**$ 1,564.7**	$ 1,737.6
Marketable debt securities	**1,227.2**	1,272.0
	$ 2,791.9	$ 3,009.6

The Company s total cash and marketable debt securities at March 31, 2015 decreased $217.7 million from the balances at December 31, 2014 primarily due to a decrease in cash and cash equivalents.

The change in cash and cash equivalents is summarized below:

($ in millions)

Three Months Ended March 31,	**2015**	2014
Operating activities:		
Net income	**$ 378.4**	$ 273.9
Net income items not affecting cash	**176.6**	200.4
Changes in operating assets and liabilities, net	**(78.8)**	(188.6)
Net cash provided by operating activities	**476.2**	285.7
Net cash used in investing activities	**(332.2)**	(175.6)
Net cash used in financing activities	**(239.9)**	(568.1)
Effect of exchange rate changes on cash	**(77.0)**	(2.2)
Net decrease in cash and cash equivalents	**(172.9)**	(460.2)
Cash and cash equivalents at beginning of period	**1,737.6**	1,750.1
Cash and cash equivalents at end of period	**$ 1,564.7**	$ 1,289.9

Operating activities: Cash provided by operations increased $190.5 million to $476.2 million in the first quarter of 2015 compared to $285.7 million in 2014. Higher operating cash flow reflects $153.2 million from inventory as there was $10.0 million in net sales of inventory in 2015 vs. $143.2 million in net purchases of inventories in 2014, and there was a higher inflow of $133.9 million for purchases of goods and services in accounts payable and accrued expenses in excess of payments. In addition, higher cash inflows resulted from $104.5 million in higher net income and an increase in liabilities for residual value guarantees (RVG) and deferred revenues of $61.4 million, primarily due to a higher volume of RVG contracts compared to 2014. These inflows were partially offset by cash usage from a higher increase in Financial Services segment wholesale receivables of $157.4 million and a higher increase in sales of goods and services in accounts receivable exceeding cash receipts of $124.8 million.

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Investing activities: Cash used in investing activities of $332.2 million increased $156.6 million from the $175.6 million used in the first quarter of 2014, primarily due to higher cash used in the acquisitions of equipment for operating leases of $158.0 million. In addition, higher outflows reflect $58.6 million from marketable securities net purchases of $45.8 million in 2015 vs. $12.8 million in net proceeds from marketable securities in 2014. This was partially offset by higher proceeds from asset disposals of $39.6 million and lower payments for property, plant and equipment of $25.5 million.

Financing activities: Cash used in financing activities of $239.9 million for the first quarter of 2015 decreased $328.2 million from the $568.1 million used in the first quarter of 2014. The Company paid $432.4 million of dividends in the first quarter of 2015 compared to $389.7 million paid in the first quarter of 2014, an increase of $42.7 million. In the first quarter of 2015, the Company issued $554.3 million of long-term debt to reduce its outstanding commercial paper and short-term bank loans by $347.9 million and to repay long-term debt of $20.2 million. In the first quarter of 2014, the Company issued $348.7 million of commercial paper and short-term bank loans and issued $11.3 million in long-term debt to repay long-term debt of $550.0 million. This resulted in cash provided by borrowing activities of $186.2 million in the first quarter of 2015, $376.2 million higher than the cash used in borrowing activities of $190.0 million in the first quarter of 2014.

Credit Lines and Other

The Company has line of credit arrangements of $3.48 billion, of which $3.37 billion were unused at March 31, 2015. Included in these arrangements are $3.0 billion of syndicated bank facilities, of which $1.0 billion matures in June 2015, $1.0 billion matures in June 2018 and $1.0 billion matures in June 2019. 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 three months ended March 31, 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 March 31, 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 quarter of 2015 were $37.0 million compared to $54.5 million, as 2014 included higher investments for the DAF Brasil factory. Over the past decade, the Company s combined investments in worldwide capital projects and R&D totaled $5.8 billion, which have significantly increased operating capacity and efficiency of its facilities and the competitive advantage of the Company s premium products.

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 March 31, 2015, the Company had finance and trade receivables in these countries of approximately 1% of consolidated total assets. As of March 31, 2015, the Company did not have any marketable debt security investments in corporate or sovereign government securities in these countries. As of March 31, 2015, the Company s derivative counterparty credit exposures in these countries were insignificant.

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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.

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 March 31, 2015 was $4.65 billion. The registration expires in November 2015 and does not limit the principal amount of debt securities that may be issued during that period.

As of March 31, 2015, the Company s European finance subsidiary, PACCAR Financial Europe, had 304.2 million available for issuance under a 1.50 billion medium-term note program registered with the London Stock Exchange. The program was renewed in the second quarter of 2014 and is renewable annually through the filing of a new prospectus.

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 March 31, 2015, 8.40 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.

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ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There were no material changes in the Company s market risk during the three months ended March 31, 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.

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 three months ended March 31, 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 March 31, 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.

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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 three months ended March 31, 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 three months ended March 31, 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 March 31, 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 three 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 May 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 Base Prospectus dated May 9, 2014	10-Q	November 6, 2014	4(h)	001-14817

**

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 Long Term Incentive Plan	DEF14A	March 10, 2011	Appendix A	001-14817
	(j)	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
	(k)	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
	(l)	PACCAR Inc Long Term Incentive Plan, 2014 Form of Nonstatutory Stock Option Agreement	10-Q	August 7, 2013	10(l)	001-14817

(m)	PACCAR Inc Long Term Incentive Plan, Form of Restricted Stock Award Agreement	8-K	February 5, 2007	99.1	001-14817

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Exhibit Number	Exhibit Description		Form	Date of First Filing	Exhibit Number	File Number
	(n)	PACCAR Inc Long Term Incentive Plan, 2010 Form of Restricted Stock Award Agreement	10-K	February 26, 2010	10(m)	001-14817
	(o)	PACCAR Inc Long Term Incentive Plan, Alternate Form of Restricted Stock Award Agreement	10-K	March 1, 2011	10(n)	001-14817
	(p)	PACCAR Inc Savings Investment Plan, Amendment and Restatement effective January 1, 2009	10-K	March 1, 2011	10(r)	001-14817
	(q)	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
	(r)	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
	(s)	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
	(t)	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
	(u)	Second Amended and Restated PACCAR Inc Restricted Stock and Deferred Compensation Plan for Non-Employee	10-K	February 26, 2015	10(u)	001-14817

Directors, Form of Amended Restricted Stock Grant

Agreement

(12) Statements Re: Computation of Ratios:

(a) Computation of ratio of earnings to fixed charges of the Company pursuant to SEC reporting requirements for three months ended March 31, 2015 and 2014*

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Exhibit Number		Exhibit Description	Form	Date of First Filing	Exhibit Number	File Number
	(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