

The major factors for the change in net sales and revenues, cost of sales and revenues, and gross margin between 2010 and 2009 follow:

| (\$ in millions) | NET SALES | COST OF SALES | GROSS MARGIN |
|---|--------------|------------------|-----------------|
| 2009 | \$ 6,994.0 | \$ 6,414.9 | \$ 579.1 |
| Increase (decrease) | | | |
| Truck delivery volume | 1,410.7 | 1,189.3 | 221.4 |
| Average truck sales prices | 523.1 | | 523.1 |
| Average per truck material, labor, and other direct costs | | 256.5 | (256.5) |
| Factory overhead, warehouse and other indirect costs | | 89.7 | (89.7) |
| Aftermarket parts volume | 266.7 | 176.0 | 90.7 |
| Average aftermarket parts sales prices | 51.3 | | 51.3 |
| Average aftermarket parts direct costs | | 12.5 | (12.5) |
| Currency translation | (8.5) | (13.4) | 4.9 |
| Total increase | 2,243.3 | 1,710.6 | 532.7 |
| 2010 | \$ 9,237.3 | \$ 8,125.5 | \$1,111.8 |

- The higher truck delivery volume reflects improved market demand which also resulted in an increase of \$523.1 million from higher average truck sales prices.
- In addition, there was an increase in cost of sales of \$256.5 million due to a higher average cost per truck, primarily from the effect of higher content EPA 2010 emission vehicles in the U.S. and Canada.
- Factory overhead, warehouse and other indirect costs increased \$89.7 million primarily due to higher supplies and maintenance (\$38.6 million) and salaries and related costs (\$16.5 million) to support higher production levels.
- Higher market demand also improved aftermarket parts sales volume by \$266.7 million and related cost of sales by \$176.0 million.
- Average aftermarket parts sales prices increased by \$51.3 million reflecting improved price realization.
- The currency translation effect on sales and cost of sales was not significant as a weaker euro and British pound was offset by stronger Canadian and Australian dollars.

Net sales and revenues and gross margins for truck units and aftermarket parts are summarized below. The aftermarket parts gross margin includes direct revenues and costs, but excludes certain truck costs.

| (\$ in millions) | | | |
|--------------------------------|------------|------------|----------|
| <i>Year ended December 31,</i> | 2010 | 2009 | % CHANGE |
| Truck net sales and revenues: | | | |
| Trucks | \$ 7,042.9 | \$ 5,103.3 | 38 |
| Aftermarket parts | 2,194.4 | 1,890.7 | 16 |
| | \$ 9,237.3 | \$ 6,994.0 | 32 |
| Gross margin: | | | |
| Trucks | \$ 366.1 | \$ (46.6) | * |
| Aftermarket parts | 745.7 | 625.7 | 19 |
| | \$ 1,111.8 | \$ 579.1 | 92 |
| Gross margin %: | | | |
| Trucks | 5.2% | (.9)% | |
| Aftermarket parts | 34.0% | 33.1 % | |
| | 12.0% | 8.3 % | |

* Percentage not meaningful