

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2011, 2010 and 2009 (currencies in millions)

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

73

Year Ended December 31,	2011		2010	
	INTEREST-RATE CONTRACTS	FOREIGN- EXCHANGE CONTRACTS	INTEREST-RATE CONTRACTS	FOREIGN- EXCHANGE CONTRACTS
(Gain) loss recognized in OCI:				
Truck and Other		\$ (2.3)		\$ (.2)
Financial Services	\$ 55.2		\$ 77.0	
Total	\$ 55.2	\$ (2.3)	\$ 77.0	\$ (.2)

(Income) expense reclassified from Accumulated OCI into income:

Truck and Other:				
Cost of sales and revenues		\$ (4.1)		\$ (.4)
Financial Services:				
Interest and other borrowing expenses	\$ 51.8		\$123.5	
Total	\$ 51.8	\$ (4.1)	\$123.5	\$ (.4)

Of the \$22.0 accumulated net loss on derivative contracts included in accumulated other comprehensive income (loss) as of December 31, 2011, \$39.7 of losses, net of taxes, is estimated to be reclassified to interest expense or cost of sales in the following 12 months. 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 not designated as hedges 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.

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

Year Ended December 31,	2011		2010	
	INTEREST-RATE CONTRACTS	FOREIGN- EXCHANGE CONTRACTS	INTEREST-RATE CONTRACTS	FOREIGN- EXCHANGE CONTRACTS
Truck and Other:				
Cost of sales and revenues		\$.2		\$.2
Interest and other (income) expense, net		(2.8)	\$.6	8.0
Financial Services:				
Interest and other borrowing expenses	\$ (4.1)	(1.2)	(7.8)	
Total	\$ (4.1)	\$ (3.8)	\$ (7.2)	\$ 8.2

P. 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. The hierarchy of fair value measurements is 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.