

PACCAR had an excellent year in 2011, as our primary markets improved due to stronger economies and customers updating their fleets. The company has earned an impressive 73 consecutive years of net income. This remarkable achievement was due to our 23,400 employees who delivered industry-leading product quality, innovation and outstanding operating efficiency. PACCAR benefited from its global diversification, superior financial strength and strong growth from aftermarket business and financial services. PACCAR's \$823 million of capital investments and research and development in 2011 enhanced its manufacturing capability and accelerated new product introductions. PACCAR delivered 138,000 trucks to its customers and sold \$2.6 billion of aftermarket parts and services. PACCAR's excellent S&P credit rating of A+ results from consistent profitability, a strong balance sheet and good cash flow. Looking ahead to 2012, the North American truck market is expected to continue to improve. The European truck market could be lower due to the Eurozone economic challenges. It is anticipated that there will be continued growth in the aftermarket business due to the aging of the truck parc. PACCAR Financial Services' revenues should increase due to a growing portfolio.

PACCAR's net income of \$1.04 billion on revenues of \$16.4 billion was the fourth best in company history. PACCAR declared regular dividends of \$.60 per share and a special dividend of \$.70 per share. Regular quarterly cash dividends have tripled in the last 10 years. Shareholder equity is a robust \$5.4 billion.

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Class 8 industry truck sales in North America, including Mexico, rose to 216,000 vehicles in 2011 compared to 141,000 units the prior year. The European 15+ tonne market in 2011 improved to 244,000 vehicles, compared to 183,000 in 2010. Our customers are generating better profits due to increased freight and higher rates, which

is translating into more industry truck orders.

PACCAR's excellent financial performance in 2011 resulted from higher truck and parts sales and margins. The company's 2011 after-tax return on revenues was 6.4%. After-tax return on beginning shareholder equity (ROE) was 19.4% in 2011, compared to 9.0% in 2010.