

### ***Truck 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. Long-term debt totaled \$150.0 million as of December 31, 2011.

Expenditures for property, plant and equipment in 2011 totaled \$340.7 million compared to \$168.4 million in 2010 as the Company increased its spending for tooling and factory equipment for new products. Over the last ten years, the Company's combined investments in worldwide capital projects and research and development totaled \$4.60 billion which have significantly increased operating capacity and efficiency and the quality of the Company's premium products.

Capital spending in 2012 is expected to increase to approximately \$450 to \$550 million. The increased capital spending will accelerate comprehensive product development programs and geographic expansion, including building a new DAF factory in Brasil. Spending on R&D in 2012 is expected to be \$275 to \$325 million. PACCAR will continue to focus on new product programs, engine development and manufacturing efficiency improvements.

The Company conducts business in Spain, Italy, Portugal, Ireland and Greece which have been experiencing significant financial stress. As of December 31, 2011, the Company had finance and trade receivables in these countries of approximately 1% of consolidated total assets. As of December 31, 2011, the Company did not have any marketable debt security investments in corporate or sovereign government securities in these countries. In addition, the Company had no derivative counterparty credit exposures in these countries as of December 31, 2011.

### ***Financial Services***

The Company funds its financial services activities primarily from collections on existing finance receivables and borrowings in the capital markets. An additional source of funds is loans from other PACCAR companies.

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.

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 future 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, 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 2009, 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 December 31, 2011 was \$1.35 billion. The registration expires in 2012 and does not limit the principal amount of debt securities that may be issued during the period.

As of December 31, 2011, the Company's European finance subsidiary, PACCAR Financial Europe, had €1.1 billion available for issuance under a €1.5 billion medium-term note program registered with the London Stock Exchange. The program was renewed in the second quarter of 2011 and is renewable annually through the filing of a new prospectus.