UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☒ **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the quarterly period ended September 30, 2021

OR

☐ **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the transition period from ______ to ______

Commission File No. 001-14817

PACCAR Inc
(Exact name of registrant as specified in its charter)

Delaware **(State or other jurisdiction of incorporation or organization)**	**91-0351110** **(I.R.S. Employer Identification No.)**
777 - 106th Ave. N.E., Bellevue, WA **(Address of principal executive offices)**	**98004** **(Zip Code)**

(425) 468-7400
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
Common stock, $1 par value	PCAR	The Nasdaq Stock Market

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 ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

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 — 347,177,323 shares as of October 28, 2021

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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 September 30		Nine Months Ended September 30	
	2021	2020	**2021**	2020
	4,376.1	4,110.4	**14,125.7**	11,071.7
Truck, Parts and Other Income Before Income Taxes	**361.6**	428.0	**1,413.1**	946.6
FINANCIAL SERVICES:				
Interest and fees	**131.5**	127.7	**393.8**	396.0
Operating lease, rental and other revenues	**277.6**	269.9	**903.6**	745.6
Revenues	**409.1**	397.6	**1,297.4**	1,141.6
Interest and other borrowing expenses	**35.3**	45.2	**114.9**	148.5
Depreciation and other expenses	**219.8**	262.5	**779.0**	716.0
Selling, general and administrative	**33.9**	31.3	**97.3**	90.2
Provision for losses on receivables		3.1	**3.2**	27.6
	289.0	342.1	**994.4**	982.3
Financial Services Income Before Income Taxes	**120.1**	55.5	**303.0**	159.3
Investment income	**1.6**	6.4	**11.5**	30.2
Total Income Before Income Taxes	**483.3**	489.9	**1,727.6**	1,136.1
Income taxes	**105.6**	104.4	**386.9**	243.5
Net Income	**$ 377.7**	$ 385.5	**$ 1,340.7**	$ 892.6
Net Income Per Share				
Basic	**$ 1.09**	$ 1.11	**$ 3.86**	$ 2.57
Diluted	**$ 1.08**	$ 1.11	**$ 3.85**	$ 2.57
Weighted Average Number of Common Shares Outstanding				
Basic	**347.8**	346.8	**347.7**	346.7
Diluted	**348.3**	347.6	**348.4**	347.3
Comprehensive Income	**$ 262.1**	$ 486.4	**$ 1,245.8**	$ 803.7

See Notes to Consolidated Financial Statements.

Consolidated Balance Sheets (Millions)

	September 30 2021 (Unaudited)	December 31 2020*
TRUCK, PARTS AND OTHER:		
Total Truck, Parts and Other Current Assets	**8,308.2**	7,769.0
Equipment on operating leases, net	**321.8**	421.9
Property, plant and equipment, net	**3,336.7**	3,270.4
Other noncurrent assets, net	**1,005.5**	998.9
Total Truck, Parts and Other Assets	**12,972.2**	12,460.2
FINANCIAL SERVICES:		
Cash and cash equivalents	**129.4**	134.6
Finance and other receivables, net (allowance for losses: 2021 - $121.7, 2020 - $127.0)	**11,402.4**	11,820.7
Equipment on operating leases, net	**2,932.6**	3,162.8
Other assets	**473.3**	681.7
Total Financial Services Assets	**14,937.7**	15,799.8
	$ 27,909.9	$ 28,260.0

* The December 31, 2020 consolidated balance sheet has been derived from audited financial statements.

See Notes to Consolidated Financial Statements.

Consolidated Balance Sheets (Millions)

	September 30 2021 (Unaudited)	December 31 2020*
TRUCK, PARTS AND OTHER:		
	3,836.7	3,656.5
Residual value guarantees and deferred revenues	**348.4**	457.4
Total Truck, Parts and Other Liabilities	**5,583.7**	5,601.1
FINANCIAL SERVICES:		
Total Financial Services Liabilities	**10,995.8**	12,268.9
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 347.2 and 346.6 million shares	**347.2**	346.6
Additional paid-in capital	**131.8**	88.5
Treasury stock, at cost - .02 million and nil shares	**(1.5)**	
Retained earnings	**11,998.1**	11,005.2
Accumulated other comprehensive loss	**(1,145.2)**	(1,050.3)
Total Stockholders' Equity	**11,330.4**	10,390.0
	$ 27,909.9	$ 28,260.0

* The December 31, 2020 consolidated balance sheet has been derived from audited financial statements.

See Notes to Consolidated Financial Statements.

Condensed Consolidated Statements of Cash Flows (Unaudited)

(Millions)

	Nine Months Ended September 30	
	2021	2020
	(19.2)	(126.6)
	(309.0)	(67.2)
	(1,341.0)	
	(71.4)	(288.7)
	1,150.2	2,192.5
	(693.8)	(499.6)
	(381.3)	(426.2)
Proceeds from asset disposals	**686.1**	419.3
Net Cash Used in Investing Activities	**(1,025.4)**	(1,034.3)
FINANCING ACTIVITIES:		
Payments of cash dividends	**(589.9)**	(1,128.9)
Purchases of treasury stock		
Proceeds from stock compensation transactions		
Net decrease in commercial paper, short-term bank loans and other		
Proceeds from term debt		
Payments on term debt		
Net Cash Used in Financing Activities	**(1,389.9)**	(1,988.0)
Effect of exchange rate changes on cash and cash equivalents		
Net Decrease in Cash and Cash Equivalents	**(1,311.8)**	(830.8)
Cash and cash equivalents at beginning of period		
Cash and cash equivalents at end of period		

See Notes to Consolidated Financial Statements.

Consolidated Statements of Stockholders' Equity (Unaudited)

(Millions, Except Per Share Amounts)

	Three Months Ended September 30		Nine Months Ended September 30	
	2021	2020	**2021**	2020
	347.2	347.0	**347.2**	347.0
ADDITIONAL PAID-IN CAPITAL:				
	131.8	114.4	**131.8**	114.4
	(.1)		**(1.5)**	(41.6)
	(1.5	(41.6	**(1.5**	(41.6
RETAINED EARNINGS:				
	(118.3)	(111.0)	**(347.8)**	(332.9)
	11,998.1	10,953.6	**11,998.1**	10,953.6
	(115.6)		**(94.9)**	(88.9)
	(1,145.2	(1,189.0	**(1,145.2**	(1,189.0
Cash dividends declared on common stock, per share	**$ .34**	$ .32	**$ 1.00**	$ .96

See Notes to Consolidated Financial Statements.

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 and nine months ended September 30, 2021 are not necessarily indicative of the results that may be expected for the year ending December 31, 2021. 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, 2020.

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 September 30		Nine Months Ended September 30	
	2021	2020	**2021**	2020
Additional shares	**519,900**	758,500	**678,000**	545,300
Antidilutive options	**580,400**	646,500	**583,600**	679,000

New Accounting Pronouncements: The Company adopted the following standard on January 1, 2021, which had no material impact on the Company's consolidated financial statements.

STANDARD	DESCRIPTION
2018-14	*Compensation – Retirement Benefits – Defined Benefit Plans – General (Topic 715-20): Disclosure Framework – Changes to the Disclosure Requirements for Defined Benefit Plans*

The Financial Accounting Standards Board (FASB) also issued the following standard, which is not expected to have a material impact on the Company's consolidated financial statements.

STANDARD	DESCRIPTION	EFFECTIVE DATE
2021-05	*Leases (Topic 842) – Lessors – Certain Leases with Variable Lease Payments*	January 1, 2022

NOTE B – Sales and Revenues

Truck, Parts and Other

The Company enters into sales contracts with customers associated with purchases of the Company's products and services including trucks, parts, product support, and other related services. Generally, the Company recognizes revenue for the amount of consideration it will receive for delivering a product or service to a customer. Revenue is recognized when the customer obtains control of the product or receives benefits of the service. The Company excludes sales taxes, value added taxes and other related taxes assessed by government agencies from revenue. There are no significant financing components included in product or service revenue since generally customers pay shortly after the products or services are transferred. In the Truck and Parts segment, when the Company grants extended payment terms on selected receivables and charges interest, interest income is recognized when earned.

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

The following table disaggregates Truck, Parts and Other revenues by major sources:

	Three Months Ended September 30		Nine Months Ended September 30	
	2021	2020	**2021**	2020
Truck				
Revenues from extended warranties, operating leases and other	**194.3**	180.0	**584.1**	504.3
	3,452.6	3,504.0	**11,837.8**	9,120.0
Parts				
Revenues from dealer services and other	**34.1**	29.0	**104.1**	81.9
	1,260.2	1,016.2	**3,632.2**	2,838.5
Winch sales and other	**24.9**	18.2	**68.8**	59.8
Truck, Parts and Other sales and revenues	**$ 4,737.7**	$ 4,538.4	**$ 15,538.8**	$ 12,018.3

The Company recognizes truck and parts sales as revenues when control of the products is transferred to customers which generally occurs upon shipment, except for certain truck sales which are subject to a residual value guarantee (RVG) by the Company. The standard payment term for trucks and aftermarket parts is typically within 30 days, but the Company may grant extended payment terms on selected receivables. The Company recognizes revenue for the invoice amount adjusted for estimated sales incentives and returns. Sales incentives and returns are estimated based on historical experience and are adjusted to current period revenues when the most likely amount of consideration the Company expects to receive changes or becomes fixed. Truck and parts sales include a standard product warranty which is included in cost of sales. The Company has elected to treat delivery services as a fulfillment activity with revenues recognized when the customer obtains control of the product. Delivery revenue is included in revenues and the related costs are included in cost of sales. As a practical expedient, the Company is not disclosing truck order backlog, as a significant majority of the backlog has a duration of less than one year.

Truck sales with RVGs that allow customers the option to return their truck are accounted for as a sale when the customer does not have an economic incentive to return the truck to the Company, or as an operating lease when the customer does have an economic incentive to return the truck. The estimate of customers' economic incentive to return the trucks is based on an analysis of historical guaranteed buyback value and estimated market value. When truck sales with RVGs are accounted for as a sale, revenue is recognized when the truck is transferred to the customer less an amount for expected returns. Expected return rates are estimated by using a historical weighted average return rate over a seven-year period. The estimated value of the truck assets to be returned and the related return liabilities at September 30, 2021 were $672.9 and $702.6, respectively, compared to $627.9 and $664.1 at December 31, 2020, respectively. The Company's total commitment to acquire trucks at a guaranteed value for contracts accounted for as a sale was $1,194.5 at September 30, 2021.

Revenues from extended warranties, operating leases and other include optional extended warranty and repair and maintenance (R&M) service contracts which can be purchased for periods generally ranging up to five years. The Company defers revenue based on stand-alone observable selling prices when it receives payments in advance and generally recognizes the revenue on a straight-line basis over the extended warranty or R&M contract periods. See Note F, Product Support Liabilities, in the Notes to the Consolidated Financial Statements for further information. Also included are truck sales with an RVG accounted for as an operating lease. A liability is created for the residual value obligation with the remainder of the proceeds recorded as deferred revenue. The deferred revenue is recognized on a straight-line basis over the guarantee period, which typically ranges from three to five years. Deferred revenue related to trucks sold with an RVG was $81.4 at September 30, 2021. The Company expects to recognize approximately $11.1 of the remaining deferred revenue in 2021, $30.9 in 2022, $17.8 in 2023, $12.9 in 2024 and $8.7 in 2025. For the three and nine months, ended September 30, 2021, total operating lease income from truck sales with RVGs was $24.9 and $75.2, respectively, compared to $26.3 and $76.6 for the three and nine month ended September 30, 2020, respectively. The Company's total commitment to acquire trucks at a guaranteed value for contracts accounted for as a lease was $267.0 at September 30, 2021.

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

Aftermarket parts sales allow for returns which are estimated at the time of sale based on historical data. At September 30, 2021, the estimated value of the returned goods asset and the related return liability were $74.2 and $173.8, respectively, compared to $62.2 and $142.0 at December 31, 2020, respectively. Parts dealer services and other revenues are recognized as services are performed.

Revenue from winch sales and other is primarily derived from the industrial winch business. Winch sales are recognized when the product is transferred to a customer, which generally occurs upon shipment. Also within this category are other revenues not attributable to a reportable segment.

Financial Services

The Company's Financial Services segment products include loans to customers collateralized by the vehicles being financed, finance leases for retail customers and dealers, dealer wholesale financing which includes floating-rate wholesale loans to PACCAR dealers for new and used trucks, and operating leases which include rentals on Company owned equipment. Interest income from finance and other receivables is recognized using the interest method. Certain loan origination costs are deferred and amortized to interest income over the expected life of the contracts using the straight-line method which approximates the interest method.

Operating lease rental revenue is recognized on a straight-line basis over the term of the lease. Customer contracts may include additional services such as excess mileage, repair and maintenance and other services on which revenue is recognized when earned. The Company's full-service lease arrangements bundle these additional services. Rents for full-service lease contracts are allocated between lease and non-lease components based on the relative stand-alone price of each component. Taxes, such as sales and use and value added, which are collected by the Company from a customer, are excluded from the measurement of lease income and expenses.

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 September 30, 2021 or December 31, 2020. 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.

Finance leases are secured by the trucks and related equipment being leased and the lease terms generally range from three to five years depending on the type and use of the equipment. The lessee is required to either purchase the equipment or guarantee to the Company a stated residual value upon the disposition of the equipment at the end of the finance lease term.

Operating lease terms generally range from three to five years. At the end of the operating lease term, the lessee has the option to return the equipment to the Company or purchase the equipment at its fair market value.

The Company determines its estimate of the residual value of leased vehicles by considering the length of the lease term, the truck model, the expected usage of the truck and anticipated market demand. If the sales price of the truck at the end of the agreement differs from the Company's estimated residual value, a gain or loss will result. Future market conditions, changes in government regulations and other factors outside the Company's control could impact the ultimate sales price of trucks returned under these contracts. Residual values are reviewed regularly and adjusted if market conditions warrant.

The following table summarizes Financial Services lease revenues by lease type:

	Three Months Ended September 30, 2021		Nine Months Ended September 30, 2021	
	2021	2020	**2021**	2020
Finance lease revenues	**$ 46.7**	$ 45.9	**$ 142.8**	$ 138.3
Operating lease revenues	**206.4**	198.8	**627.9**	593.3
Total lease revenues	**$ 253.1**	$ 244.7	**$ 770.7**	$ 731.6

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

NOTE C - Investments in Marketable Securities

Debt Securities

The Company's investments in marketable debt securities are classified as available-for-sale. These investments are stated at fair value and may include an allowance for credit losses. Changes in the allowance for credit losses are recognized in the current period earnings and any unrealized gains or losses, net of tax, are included as a component of accumulated other comprehensive income (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 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 the result of credit losses or unrealized losses. In assessing credit losses, 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. The Company considers its intent for selling the security and whether it is more likely than not the Company will be able to hold the security until the recovery of any credit losses and unrealized losses. Charges against the allowance for credit losses occur when a security with credit losses is sold or the Company no longer intends to hold that security.

Equity Securities

Marketable equity securities are traded on active exchanges and are measured at fair value. The realized and unrealized gains (losses) are recognized in investment income.

Marketable securities at September 30, 2021 and December 31, 2020 consisted of the following:

At September 30, 2021	**COST**	**UNREALIZED GAINS**	**UNREALIZED LOSSES**	**FAIR VALUE**
Marketable debt securities				
	$ 1,544.5	**$ 9.2**	**$ 4.3**	**$ 1,549.4**

At December 31, 2020	COST	UNREALIZED GAINS	UNREALIZED LOSSES	FAIR VALUE
U.S. tax-exempt securities	$ 388.1	$ 4.4	$ .1	$ 392.4
U.S. corporate securities	229.6	3.3		232.9
U.S. government and agency securities	92.1	2.3		94.4
Non-U.S. corporate securities	406.0	5.5		411.5
Non-U.S. government securities	77.0	.5		77.5
Other debt securities	216.9	3.4		220.3
Total marketable securities	$ 1,409.7	$ 19.4	$ .1	$ 1,429.0

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 $1.6 and $1.9 and gross realized losses were $.1 and $.3 for the nine months periods ended September 30, 2021 and 2020, respectively.

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, Australia and South America. The Company’s Other business includes the manufacturing and marketing of industrial winches.

Third Quarter Financial Highlights:

- Worldwide net sales and revenues were $5.15 billion in 2021 compared to $4.94 billion in 2020, primarily due to higher parts revenues and favorable currency translation effects.
- Truck revenues were $3.45 billion in 2021 compared to $3.50 billion in 2020 primarily due to lower truck deliveries in U.S. and Canada.
- Parts sales were a record $1.26 billion in 2021 compared to $1.02 billion in 2020 reflecting higher demand in all markets.
- Financial Services revenues were $409.1 million in 2021 compared to $397.6 million in 2020 primarily due to higher rental income.
- Net income was $377.7 million ($1.08 per diluted share) in 2021 compared to $385.5 million ($1.11 per diluted share) in 2020.
- Capital investments were $133.0 million in 2021 compared to $130.0 million in 2020.
- Research and development (R&D) expenses were $72.5 million in 2021 compared to $64.7 million in 2020.

First Nine Months Financial Highlights:

- Worldwide net sales and revenues were $16.84 billion in 2021 compared to $13.16 billion in 2020, primarily due to higher truck and parts revenues.
- Truck revenues were $11.84 billion in 2021 compared to $9.12 billion in 2020 primarily due to higher truck deliveries in all markets.
- Parts sales were a record $3.63 billion in 2021 compared to $2.84 billion in 2020 reflecting higher demand in all markets.
- Financial Services revenues were a record $1.30 billion in 2021 compared to $1.14 billion in 2020 primarily due to higher used truck sales.
- Net income was $1.34 billion ($3.85 per diluted share) in 2021 compared to $892.6 million ($2.57 per diluted share) in 2020 due to higher Truck, Parts and Financial Services revenues and operating results.
- Capital investments were $347.4 million in 2021 compared to $438.8 million in 2020.
- Research and development (R&D) expenses were $237.0 million in 2021 compared to $202.2 million in 2020.

In the third quarter of 2021, Peterbilt and Kenworth began production of the next generation heavy-duty Peterbilt 579 and Kenworth T680 trucks. The new vehicles were announced earlier this year and feature new exterior designs with optimized aerodynamic shapes and are powered by the PACCAR MX-13 and MX-11 engines with the integrated PACCAR transmission. DAF began producing the new generation DAF XF, XG and XG+ trucks, which take full advantage of new European regulations governing truck design. All the new models feature a customizable digital display.

Peterbilt and Kenworth began production of their all-new medium-duty trucks in the third quarter of 2021. The new Class 5-7 vehicles feature best-in-class attributes including an eight-inch wider cab with three-person seating, improved ingress and egress, 50% reduced interior noise and enhanced driver visibility. Medium-duty PACCAR PX-7 or PX-9 engines are paired with the newly introduced 8-speed automatic PACCAR TX-8 transmission to provide up to 350 horsepower and 1,000 lb.-ft. of torque.

Peterbilt delivered ten Model 579EV battery electric trucks in the third quarter of 2021 which will operate at the Port of Oakland and will deliver five more in the fourth quarter to the Port of Long Beach. Kenworth delivered ten T680E hydrogen fuel cell trucks to the Port of Los Angeles for field trials with partners Shell, Toyota and UPS.

compared to 53,200 units in the same period of 2020. The Company's medium-duty market share was 20.6% in the first nine months of 2021 compared to 23.3% in the first nine months of 2020.

The over 16-tonne truck market in Europe in the first nine months of 2021 was 207,000 units compared to 160,900 units in the first nine months of 2020. DAF over 16-tonne market share was a 15.8% in the first nine months of 2021 compared to 16.2% in the same period of 2020. The 6 to 16-tonne market in the first nine months of 2021 was 31,800 units compared to 29,700 units in the same period of 2020. DAF market share in the 6 to 16-tonne market in the first nine months of 2021 was 10.2% compared to 9.4% in the same period of 2020.

The Company's worldwide truck net sales and revenues are summarized below:

	Three Months Ended September 30			**Nine Months Ended September 30**		
($ in millions)	**2021**	2020	% CHANGE	**2021**	2020	% CHANGE
			(1)	**$ 11,837.8**		
Truck income before income taxes	**$ 78.5**	$ 210.1	63	**$ 603.0**	$ 347.0	74
Pre-tax return on revenues	**2.3%**	6.0%		**5.1%**	3.8%	

The Company's worldwide truck net sales and revenues in the third quarter decreased to $3.45 billion in 2021 from $3.50 billion in 2020, primarily due to lower truck deliveries in U.S. and Canada. In the first nine months, worldwide truck net sales and revenues increased to $11.84 billion in 2021 from $9.12 billion in 2020 due to higher truck unit deliveries in all markets and favorable currency translation effects.

For the third quarter of 2021, the Truck segment income before income taxes and pretax return on revenues reflect the impact of lower truck unit deliveries and lower margins, driven primarily by the industry-wide undersupply of semiconductor chips. For the first nine months of 2021, Truck segment income before income taxes and pretax return on revenues reflect higher truck unit deliveries and higher margins, primarily due to increased demand in all markets and higher build rates. In the first nine months of 2020, Truck segment income before taxes and pretax return on revenues reflect the impact of lower truck unit deliveries and lower margins and the worldwide truck plant closures (primarily second quarter) as a result of the COVID-19 pandemic.

The major factors for the Truck segment changes in net sales and revenues, cost of sales and revenues and gross margin between the three months ended September 30, 2021 and 2020 are as follows:

($ in millions)	**NET SALES AND REVENUES**	**COST OF SALES AND REVENUES**	**GROSS MARGIN**
Three Months Ended September 30, 2020	**$ 3,504.0**	**$ 3,208.4**	**$ 295.6**
(Decrease) increase			
Truck sales volume	**(246.6)**	**(202.3)**	**(44.3)**
Average truck sales prices	**140.1**		**140.1**
Average per truck material, labor and other direct costs		**147.3**	**(147.3)**
Factory overhead and other indirect costs		**71.0**	**(71.0)**
Extended warranties, operating leases and other	**11.5**	**(5.4)**	**16.9**
Currency translation	**43.6**	**36.6**	**7.0**
Total increase (decrease)	**(51.4)**	**47.2**	**(98.6)**
Three Months Ended September 30, 2021	**$ 3,452.6**	**$ 3,255.6**	**$ 197.0**

- Truck sales volume reflects lower unit deliveries, primarily in the U.S. and Canada ($378.2 million sales and $324.5 million cost of sales) due to an industry-wide undersupply of semiconductor chips.
- Average truck sales prices increased sales by $140.1 million primarily due to higher price realization.
- Average cost per truck increased cost of sales by $147.3 million, primarily reflecting higher raw material costs, labor and freight.
- Factory overhead and other indirect costs increased $71.0 million primarily due to higher labor costs.
- Extended warranties, operating leases and other revenues increased by $11.5 million primarily due to higher revenues from service contracts. Cost of sales decreased by $5.4 million primarily due to lower losses on used trucks and impairments in Europe due to an improved used truck market, partially offset by higher costs on extended warranty and service contracts.

- The currency translation effect on sales and cost of sales primarily reflects an increase in the value of the euro as well the Canadian dollar and Australian dollar relative to the U.S. dollar.
- Truck gross margin was 5.7% in the third quarter of 2021 compared to 8.4% in the same period of 2020 due to the factors noted above.

The major factors for the Truck segment changes in net sales and revenues, cost of sales and revenues and gross margin between the nine months ended September 30, 2021 and 2020 are as follows:

($ in millions)	NET SALES AND REVENUES	COST OF SALES AND REVENUES	GROSS MARGIN
Nine Months Ended September 30, 2020	**$ 9,120.0**	**$ 8,476.6**	**$ 643.4**
			(104.9)
Factory overhead and other indirect costs		**170.7**	**(170.7)**
Extended warranties, operating leases and other	**49.8**	**16.9**	**32.9**
Currency translation	**332.3**	**296.9**	**35.4**
Total increase	**2,717.8**	**2,393.2**	**324.6**
Nine Months Ended September 30, 2021	**$ 11,837.8**	**$ 10,869.8**	**$ 968.0**

- Truck sales volume reflects higher unit deliveries in all markets, primarily in the U.S. and Canada ($1.15 billion sales and $940.7 million cost of sales) and Europe ($561.0 million sales and $476.2 million cost of sales) due to increased demand.
- Average truck sales prices increased sales by $187.2 million primarily due to higher price realization in the U.S. and Canada, Europe and Brasil.
- Average cost per truck increased cost of sales by $104.9 million, primarily reflecting higher raw material costs, partially offset by lower product support costs.
- Factory overhead and other indirect costs increased $170.7 million primarily due to higher labor costs.
- Extended warranties, operating leases and other revenues increased by $49.8 million primarily due to higher revenues from service contracts, partially offset by lower revenues from operating leases as a result of decreasing portfolio. Cost of sales increased by $16.9 million primarily due to higher costs from service contracts, partially offset by lower losses on used trucks and impairments in Europe due to an improved used truck market.
- The currency translation effect on sales and cost of sales primarily reflects an increase in the value of the euro as well the Australian and Canadian dollar relative to the U.S. dollar, partially offset by a decline in the value of the Brazilian real.
- Truck gross margin was 8.2% in the nine months of 2021 compared to 7.1% in the same period of 2020 due to the factors noted above.

Truck SG&A expense increased in the third quarter of 2021 to $66.4 million from $40.0 million in 2020, and for the first nine months of 2021, Truck SG&A increased to $191.4 million from $144.7 million in 2020. The increase in both periods was primarily due to higher salaries and related expenses and higher professional expenses.

As a percentage of sales, Truck SG&A increased to 1.9% in the third quarter compared to 1.1% in the same period of 2020, primarily due to higher spending. For the first nine months, Truck SG&A as a percentage of sales was 1.6% for both 2021 and 2020.

Parts

The Company’s Parts segment accounted for 24% and 22% of revenues in the third quarter and first nine months of 2021, respectively, compared to 21% and 22% in the third quarter and first nine months of 2020, respectively.

	Three Months Ended September 30			Nine Months Ended September 30		
($ in millions)	**2021**	2020	% CHANGE	**2021**	2020	% CHANGE
Parts net sales and revenues:						
	$ 850.9	$ 692.4	23	**$ 2,427.4**	$ 1,956.6	
			28			
	$ 1,260.2	$ 1,016.2	24	**$ 3,632.2**	$ 2,838.5	28
	$ 280.8	$ 210.2	34	**$ 797.7**	$ 576.8	38
	22.3%	20.7%		**22.0%**	20.3%	

The Company’s worldwide parts net sales and revenues for the third quarter increased to a record $1.26 billion in 2021 from $1.02 billion in 2020. For the first nine months, worldwide parts net sales and revenues increased to a record $3.63 billion in 2021 from $2.84 billion in 2020. The increase in both periods was primarily due to higher demand in all markets and favorable currency translation effects.

For the third quarter and first nine months of 2021, the increase in Parts segment income before income taxes and pre-tax return on revenues was primarily due to higher sales volume and higher margins, as well as favorable currency translation effects.

The major factors for the changes in Parts segment net sales and revenues, cost of sales and revenues and gross margin between the three months ended September 30, 2021 and 2020 are as follows:

($ in millions)	NET SALES AND REVENUES	COST OF SALES AND REVENUES	GROSS MARGIN
Three Months Ended September 30, 2020			
Increase (decrease)			
Aftermarket parts volume			
Average aftermarket parts sales prices			
Average aftermarket parts direct costs			**(39.3)**
Warehouse and other indirect costs			
Currency translation			
Total increase	**244.0**	**167.9**	**76.1**
Three Months Ended September 30, 2021			

- Aftermarket parts sales volume increased by $168.5 million and related cost of sales increased by $113.2 million due to higher demand in all markets.
- Average aftermarket parts sales prices increased sales by $65.7 million primarily due to higher price realization in North America and Europe.
- Average aftermarket parts direct costs increased $39.3 million due to higher material and freight costs.
- Warehouse and other indirect costs increased $10.9 million primarily due to higher salaries and related expenses.
- The currency translation effect on sales and cost of sales primarily reflects an increase in the value of the euro relative to the U.S. dollar.
- Parts gross margins in the third quarter of 2021 increased to 28.3% from 27.7% in the third quarter of 2020 due to the factors noted above.

The major factors for the changes in Parts segment net sales and revenues, cost of sales and revenues and gross margin between the nine months ended September 30, 2021 and 2020 are as follows:

($ in millions)	NET SALES AND REVENUES	COST OF SALES AND REVENUES	GROSS MARGIN
Nine Months Ended September 30, 2020	**$ 2,838.5**	**$ 2,064.9**	**$ 773.6**
Increase (decrease)			
	158.0		
			(99.5)
Warehouse and other indirect costs		**24.6**	**(24.6)**
Currency translation	**78.3**	**46.0**	**32.3**
Total increase	**793.7**	**541.0**	**252.7**
Nine Months Ended September 30, 2021	**$ 3,632.2**	**$ 2,605.9**	**$ 1,026.3**

- Aftermarket parts sales volume increased by $557.4 million and related cost of sales increased by $370.9 million due to higher demand in all markets.
- Average aftermarket parts sales prices increased sales by $158.0 million primarily due to higher price realization in North America and Europe.
- Average aftermarket parts direct costs increased $99.5 million due to higher material costs.
- Warehouse and other indirect costs increased $24.6 million primarily due to higher salaries and related expenses and higher shipping costs due to increased volumes.
- The currency translation effect on sales and cost of sales primarily reflects an increase in the value of the euro and the Australian dollar relative to the U.S. dollar.
- Parts gross margins in the first nine months of 2021 increased to 28.3% from 27.3% in the first nine months of 2020 due to the factors noted above.

Parts SG&A expense increased in the third quarter of 2021 to $53.4 million from $48.5 million in 2020, and for the first nine months, Parts SG&A increased to $158.1 million in 2021 from $142.5 million in 2020. The increase in both periods was primarily due to higher salaries and related expenses and favorable currency translation effects, partially offset by lower sales and marketing costs.

As a percentage of sales, Parts SG&A was 4.2% and 4.4% in the third quarter and first nine months of 2021, respectively, compared to 4.8% and 5.0% in the third quarter and first nine months of 2020, respectively.

Financial Services

The Company's Financial Services segment accounted for 8% of revenues in both the third quarter and first nine months of 2021, compared to 8% and 9% in the third quarter and first nine months of 2020, respectively.

	Three Months Ended September 30			Nine Months Ended September 30		
($ in millions)	**2021**	2020	% CHANGE	**2021**	2020	% CHANGE
New loan and lease volume:						
U.S. and Canada	**$ 834.6**	$ 857.8	(3)	**$ 2,533.6**	$ 2,101.6	21
Europe	**278.4**	269.5	3	**945.9**	741.7	28
Mexico, Australia and other	**252.5**	206.8	22	**717.9**	514.7	39
	$ 1,365.5	$ 1,334.1	2	**$ 4,197.4**	$ 3,358.0	25
New loan and lease volume by product:						
Loans and finance leases	**$ 1,128.1**	$ 1,076.6	5	**$ 3,460.9**	$ 2,687.6	29
Equipment on operating lease	**237.4**	257.5	(8)	**736.5**	670.4	10
	$ 1,365.5	$ 1,334.1	2	**$ 4,197.4**	$ 3,358.0	25
New loan and lease unit volume:						
Loans and finance leases	**9,040**	9,490	(5)	**28,890**	24,260	19
Equipment on operating lease	**2,680**	2,620	2	**8,040**	6,930	16
	11,720	12,110	(3)	**36,930**	31,190	18
Average earning assets:						
U.S. and Canada	**$ 8,634.6**	$ 8,838.0	(2)	**$ 8,726.9**	$ 9,082.1	(4)
Europe	**3,707.8**	3,549.8	4	**3,821.8**	3,492.5	9
Mexico, Australia and other	**2,120.7**	1,741.3	22	**2,077.2**	1,730.6	20
	$ 14,463.1	$ 14,129.1	2	**$ 14,625.9**	$ 14,305.2	2
Average earning assets by product:						
Loans and finance leases	**$ 10,041.6**	$ 9,134.7	10	**$ 9,950.8**	$ 8,998.8	11
Dealer wholesale financing	**1,343.0**	1,894.3	(29)	**1,521.9**	2,191.4	(31)
Equipment on lease and other	**3,078.5**	3,100.1	(1)	**3,153.2**	3,115.0	1
	$ 14,463.1	$ 14,129.1	2	**$ 14,625.9**	$ 14,305.2	2
Revenues:						
U.S. and Canada	**$ 183.7**	$ 197.6	(7)	**$ 591.2**	$ 591.7	
Europe	**161.7**	145.6	11	**519.8**	383.2	36
Mexico, Australia and other	**63.7**	54.4	17	**186.4**	166.7	12
	$ 409.1	$ 397.6	3	**$ 1,297.4**	$ 1,141.6	14
Revenue by product:						
Loans and finance leases	**$ 122.1**	$ 113.4	8	**$ 362.3**	$ 340.0	7
Dealer wholesale financing	**9.4**	14.3	(34)	**31.5**	56.0	(44)
Equipment on lease and other	**277.6**	269.9	3	**903.6**	745.6	21
	$ 409.1	$ 397.6	3	**$ 1,297.4**	$ 1,141.6	14
Income before income taxes	**$ 120.1**	$ 55.5	116	**$ 303.0**	$ 159.3	90

For the third quarter, new loan and lease volume was $1,365.5 million in 2021 compared to $1,334.1 million in 2020 and for the first nine months was $4,197.4 million in 2021 compared to $3,358.0 million in 2020, reflecting higher truck deliveries worldwide.

In the third quarter of 2021, PFS finance market share on new PACCAR truck sales decreased to 26.3% from 28.7% in the third quarter of 2020. In the first nine months of 2021, PFS finance market share on new PACCAR truck sales decreased to 26.4% from 26.9% in the first nine months of 2020.

In the third quarter of 2021, PFS revenues increased to $409.1 million from $397.6 million in 2020, primarily due to higher rental income. The effects of currency translation increased PFS revenues by $7.8 million in the third quarter, primarily due to a stronger Mexican peso relative to the U.S. dollar. In the first nine months of 2021, PFS revenues increased to a record $1,297.4 million from $1,141.6 million in 2020, primarily due to higher used truck sales in Europe and North America. The effects of currency translation increased PFS revenues by $46.9 million in the first nine months of 2021, primarily due to a stronger euro relative to the U.S. dollar.

PFS income before income taxes increased to a record $120.1 million in the third quarter of 2021 from $55.5 million in the third quarter of 2020, primarily due to improved used truck results and higher finance and lease margins. The effects of translating stronger foreign currencies increased third quarter PFS income before income taxes by $3.2 million, primarily due to a stronger Mexican peso relative to the U.S. dollar. In the first nine months of 2021, PFS income before income taxes increased to a record $303.0 million from $159.3 million in 2020, primarily due to improved used truck results, higher finance and lease margins and a lower provision for credit losses. The currency translation effect on income before income taxes for the first nine months of 2021 was $10.2 million, reflecting an increase in the value of foreign currencies relative to the U.S. dollar.

Included in Financial Services "Other assets" on the Company's Consolidated Balance Sheets are used trucks held for sale, net of impairments, of $136.3 million at September 30, 2021 and $375.8 million at December 31, 2020. These trucks are primarily units returned from matured operating leases in the ordinary course of business, and also include trucks acquired from repossessions or through acquisitions of used trucks in trades related to new truck sales and trucks returned from residual value guarantees (RVGs).

The Company recognized gains on used trucks, excluding repossessions, of $15.8 million in the third quarter of 2021 compared to losses of $24.0 million in the third quarter of 2020, including losses on multiple unit transactions of $.6 million in the third quarter of 2021 compared to $12.0 million in the third quarter of 2020. Used truck losses related to repossessions, which are recognized as credit losses, and used truck gains, which are recognized as credit recoveries, were not significant for either the third quarter of 2021 or 2020.

The Company recognized gains on used trucks, excluding repossessions, of $4.7 million in the first nine months of 2021 compared to losses of $75.2 million in the first nine months of 2020, including losses on multiple unit transactions of $17.5 million in the first nine months of 2021 compared to $26.5 million in the first nine months of 2020. Used truck losses related to repossessions, which are recognized as credit losses, and used truck gains, which are recognized as credit recoveries, were not significant for either the first nine months of 2021 or 2020.

The major factors for the changes in interest and fees, interest and other borrowing expenses and finance margin between the three months ended September 30, 2021 and 2020 are outlined below:

($ in millions)	INTEREST AND FEES	INTEREST AND OTHER BORROWING EXPENSES	FINANCE MARGIN
Three Months Ended September 30, 2020	**$ 127.7**	**$ 45.2**	**$ 82.5**
Increase (decrease)			
		(1.1)	
	(2.4)		**(2.4)**
Borrowing rates		**(9.4)**	**9.4**
Currency translation and other	**3.3**	**.6**	**2.7**
Total increase (decrease)	**3.8**	**(9.9)**	**13.7**
Three Months Ended September 30, 2021	**$ 131.5**	**$ 35.3**	**$ 96.2**

- Average finance receivables increased $257.9 million (excluding foreign exchange effects) in the third quarter of 2021 primarily due to higher average loan balances, partially offset by lower dealer wholesale balances.
- Average debt balances decreased $334.8 million (excluding foreign exchange effects) in the third quarter of 2021, reflecting lower funding requirements for the portfolio which includes loans, finance leases, dealer wholesale and equipment on operating lease.
- Lower portfolio yields (4.58% in 2021 compared to 4.61% in 2020) decreased interest and fees by $2.4 million. The lower portfolio yields were primarily due to lower market rates in North America.
- Lower borrowing rates (1.4% in 2021 compared to 1.7% in 2020) were primarily due to lower debt market rates in North America.
- The currency translation effects reflect an increase in the value of foreign currencies relative to the U.S. dollar, primarily the Mexican peso.

The major factors for the changes in interest and fees, interest and other borrowing expenses and finance margin between the nine months ended September 30, 2021 and 2020 are outlined below:

($ in millions)	INTEREST AND FEES	INTEREST AND OTHER BORROWING EXPENSES	FINANCE MARGIN
	$ 396.0	$ 148.5	$ 247.5
	(.1)		(.1)
Average debt balances		(4.6)	4.6
Yields	(14.2)		(14.2)
Borrowing rates		(31.4)	31.4
Currency translation and other	12.1	2.4	9.7
Total (decrease) increase	(2.2)	(33.6)	31.4
Nine Months Ended September 30, 2021	$ 393.8	$ 114.9	$ 278.9

- Average debt balances decreased $411.8 million (excluding foreign exchange effects) in the first nine months of 2021, reflecting lower funding requirements for the portfolio which includes loans, finance leases, dealer wholesale and equipment on operating lease.
- Lower portfolio yields (4.6% in 2021 compared to 4.7% in 2020) decreased interest and fees by $14.2 million. The lower portfolio yields were primarily due to lower market rates in North America.
- Lower borrowing rates (1.4% in 2021 compared to 1.9% in 2020) were primarily due to lower debt market rates in the U.S.
- The currency translation effects reflect an increase in the value of foreign currencies relative to the U.S. dollar.

The following table summarizes operating lease, rental and other revenues and depreciation and other expenses:

	Three Months Ended September 30		Nine Months Ended September 30	
($ in millions)	**2021**	2020	**2021**	2020
Operating lease and rental revenues				
Used truck sales				
Insurance, franchise and other revenues				
Operating lease, rental and other revenues	**$ 277.6**	$ 269.9	**$ 903.6**	$ 745.6
Depreciation of operating lease equipment				
Vehicle operating expenses				
Cost of used truck sales				
Insurance, franchise and other expenses				
Depreciation and other expenses	**$ 219.8**	$ 262.5	**$ 779.0**	$ 716.0

The major factors for the changes in operating lease, rental and other revenues, depreciation and other expenses and lease margin between the three months ended September 30, 2021 and 2020 are outlined below:

($ in millions)	OPERATING LEASE, RENTAL AND OTHER REVENUES	DEPRECIATION AND OTHER EXPENSES	LEASE MARGIN
Three Months Ended September 30, 2020	$ 269.9	$ 262.5	$ 7.4
(Decrease) increase			
Used truck sales	(.2)	(4.5)	4.3
Results on returned lease assets		(37.5)	37.5
Average operating lease assets	(2.5)	(1.9)	(.6)
Revenue and cost per asset	5.9	(2.5)	8.4
Currency translation and other	4.5	3.7	.8
Total increase (decrease)	7.7	(42.7)	50.4
Three Months Ended September 30, 2021	$ 277.6	$ 219.8	$ 57.8

- Higher used truck market prices were mostly offset by a lower sales volume, resulting in lower operating lease, rental and other revenues of $.2 million. A lower volume of used trucks decreased depreciation and other expenses by $4.5 million.
- Results on returned lease assets decreased depreciation and other expenses by $37.5 million primarily due to gains on sales on returned lease units in 2021 compared to losses in 2020 and lower impairments in the U.S. and Europe as a result of higher used truck market values.
- Average operating lease assets decreased $37.8 million (excluding foreign exchange effects), which decreased revenues by $2.5 million and related depreciation and other expenses by $1.9 million.
- Revenue per asset increased $5.9 million primarily due to higher rental utilization. Cost per asset decreased $2.5 million due to lower depreciation expense, partially offset by higher vehicle operating expenses.
- The currency translation effects reflect an increase in the value of foreign currencies relative to the U.S. dollar, primarily the Mexican peso and the euro.

The major factors for the changes in operating lease, rental and other revenues, depreciation and other expenses and lease margin between the nine months ended September 30, 2021 and 2020 are outlined below:

($ in millions)	OPERATING LEASE, RENTAL AND OTHER REVENUES	DEPRECIATION AND OTHER EXPENSES	LEASE MARGIN
Nine Months Ended September 30, 2020	**$ 745.6**	**$ 716.0**	**$ 29.6**
	(8.6)	**(6.4)**	**(2.2)**
		2.3	**15.1**
Total increase	**158.0**	**63.0**	**95.0**
Nine Months Ended September 30, 2021	**$ 903.6**	**$ 779.0**	**$ 124.6**

- Higher market prices and a higher sales volume of used trucks received on trade and upon RVG contract expiration increased operating lease, rental and other revenues by $114.6 million, and a higher unit volume increased depreciation and other expenses by $107.3 million.
- Results on returned lease assets decreased depreciation and other expenses by $71.5 million primarily due to gains on sales of returned lease units in 2021 compared to losses in 2020 and lower impairments in Europe and the U.S. as a result of higher used truck market values.
- Average operating lease assets decreased $61.6 million (excluding foreign exchange effects), which decreased revenues by $8.6 million and related depreciation and other expenses by $6.4 million.
- Revenue per asset increased $17.4 million primarily due to higher rental utilization. Cost per asset increased $2.3 million due to higher vehicle operating expenses, partially offset by lower depreciation expense.
- The currency translation effects reflect an increase in the value of foreign currencies relative to the U.S. dollar, primarily the Mexican peso and the euro.

Financial Services SG&A expense was $33.9 million in the third quarter of 2021 compared to $31.3 million in 2020, and for the first nine months was $97.3 million in 2021 compared to $90.2 million in 2020. The increase in both periods was due to higher salaries and related expenses and an increase in the value of foreign currencies relative to the U.S. dollar.

As a percentage of revenues, Financial Services SG&A increased to 8.3% in the third quarter of 2021 from 7.9% in the same period of 2020 primarily due to higher salaries and related expenses. For the first nine months, Financial Services SG&A as a percentage of revenues decreased to 7.5% in 2021 from 7.9% in 2020 primarily due to higher revenues.

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

	Three Months Ended September 30, 2021		**Nine Months Ended September 30, 2021**	
($ in millions)	**PROVISION FOR LOSSES ON RECEIVABLES**	**NET CHARGE-OFFS**	**PROVISION FOR LOSSES ON RECEIVABLES**	**NET CHARGE-OFFS**
	$ (.6)	**$ .9**	**$ (.2)**	**$ 1.5**
	(.8)	**.2**	**(.6)**	
	$	**$ 2.2**	**$ 3.2**	**$ 6.7**

	Three Months Ended September 30, 2020		Nine Months Ended September 30, 2020	
($ in millions)	PROVISION FOR LOSSES ON RECEIVABLES	NET CHARGE-OFFS	PROVISION FOR LOSSES ON RECEIVABLES	NET CHARGE-OFFS
U.S. and Canada	$ 1.1	$ 1.8	$ 15.5	$ 13.2
Europe	.1	.4	5.8	2.3
			6.3	4.0
	$ 3.1	$ 3.5	$ 27.6	$ 19.5

The provision for losses on receivables was nil and $3.1 million in the three months ended September 30, 2021 and 2020, respectively. In the first nine months, the provision for losses on receivables was $3.2 million in 2021 compared to $27.6 million in 2020. The decrease in provision for losses in 2021 compared to 2020 reflects strong portfolio performance and 2020 included higher provisioning due to weakening economic conditions related to the COVID-19 pandemic and a credit loss on a fleet customer in the U.S.

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 the Company considers likely to perform under the modified terms. When the Company modifies a loan or finance lease for credit reasons and grants a concession, the modification is classified as a troubled debt restructuring (TDR).

The post-modification balances of accounts modified during the nine months ended September 30, 2021 and 2020 are summarized below:

	2021		2020	
($ in millions)	**AMORTIZED COST BASIS**	**% OF TOTAL PORTFOLIO***	AMORTIZED COST BASIS	% OF TOTAL PORTFOLIO*
Commercial	**$ 161.4**	**2.1%**	$ 185.6	2.7%
Insignificant delay	**53.1**	**.7%**	2,505.7	36.2%
Credit – no concession	**51.5**	**.7%**	80.1	1.2%
Credit – TDR	**6.7**	**.1%**	48.7	.7%
	$ 272.7	**3.6%**	$ 2,820.1	40.8%

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

During the first nine months of 2021, total modification activity decreased compared to the first nine months of 2020. The decrease in modifications for Commercial reasons primarily reflects lower volumes of refinancing. The decrease in modifications for Insignificant delay reflects the impact of fleet customers requesting payment relief for up to three months related to the COVID-19 pandemic during the first nine months of 2020. The decrease in modifications for Credit – no concession is primarily due to lower volumes of refinancing and requests for payment relief in Mexico and Europe. The decrease in modifications for Credit –TDR is primarily due to contract modifications of two fleet customers in the U.S. and four fleet customers in Mexico in 2020.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There were no material changes in the Company's market risk during the nine months ended September 30, 2021. For additional information, refer to Item 7A as presented in the 2020 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 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 nine months ended September 30, 2021.

ITEM 1. LEGAL PROCEEDINGS

Refer to Note M – "Commitments and Contingencies" in the Notes to Consolidated Financial Statements (Part I, Item 1) for discussion on litigation matters, which is incorporated by reference herein.

ITEM 1A. RISK FACTORS

For information regarding risk factors, refer to Part I, Item 1A as presented in the 2020 Annual Report on Form 10-K. There have been no material changes in the Company's risk factors during the nine months ended September 30, 2021, except that the second paragraph of the risk factor titled "Production Costs and Supplier Capacity" is replaced with the following:

The Company has been affected by an industry-wide undersupply of semiconductors. The Company anticipates this semiconductor shortage will continue to temper deliveries in the fourth quarter of the year and into 2022.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

For Items 2(a) and (b), there was no reportable information for the nine months ended September 30, 2021.

(c) Issuer purchases of equity securities.

On December 4, 2018, PACCAR's Board of Directors approved the repurchase of up to $500.0 million of the Company's outstanding common stock. As of September 30, 2021, the Company has repurchased $110.0 million of shares under this plan. There were no repurchases made under this plan during the third quarter of 2021.

ITEM 6. EXHIBITS

Any exhibits filed herewith are listed in the accompanying index to exhibits.

INDEX TO EXHIBITS

Exhibit Number		Exhibit Description	Form	Date of First Filing	Exhibit Number	File Number
(3)	(i)	Articles of Incorporation:				
		Amended and Restated Certificate of Incorporation of PACCAR Inc	8-K	May 4, 2018	3(i)	001-14817
		Certificate of Amendment of the Amended and Restated Certificate of Incorporation of PACCAR Inc	8-K	April 24, 2020	3(i)	001-14817
	(ii)	Bylaws:				
		Sixth Amended and Restated Bylaws of PACCAR Inc	8-K	December 7, 2018	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.	S-3	November 20, 2009	4.1	333-163273
	(b)	Forms of Medium-Term Note, Series O (PACCAR Financial Corp.)	S-3	November 5, 2015	4.2 and 4.3	333-207838
	(c)	Forms of Medium-Term Note, Series P (PACCAR Financial Corp.)	S-3	November 2, 2018	4.2 and 4.3	333-228141
	(d)	Terms and Conditions of the Notes applicable to the €2,500,000,000 Medium Term Note Programme of PACCAR Financial Europe B.V. set forth in the Listing Particulars dated May 9, 2018	10-Q	August 3, 2018	4(h)	001-14817

Exhibit Number		Exhibit Description	Form	Date of First Filing	Exhibit Number	File Number
	(n)	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
	(o)	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
	(p)	Third Amendment to Memorandum of Understanding dated as of November 12, 2019, by and among PACCAR Engine Company, the Mississippi Development Authority and the Mississippi Major Economic Impact Authority	10-K	February 19, 2020	10(r)	001-14817
	(q)	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
	(r)	Second Amended and Restated PACCAR Inc Restricted Stock and Deferred Compensation Plan for Non-Employee Directors, Form of Amended Restricted Stock Grant Agreement	10-K	February 26, 2015	10(u)	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)		Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.				
(101.SCH)		Inline XBRL Taxonomy Extension Schema Document*				
(101.CAL)		Inline XBRL Taxonomy Extension Calculation Linkbase Document*				
(101.DEF)		Inline XBRL Taxonomy Extension Definition Linkbase Document*				
(101.LAB)		Inline XBRL Taxonomy Extension Label Linkbase Document*				
(101.PRE)		Inline XBRL Taxonomy Extension Presentation Linkbase Document*				
(104)		Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)*				

* filed herewith

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 November 1, 2021

By /s/ M. T. Barkley
M. T. Barkley
Senior Vice President and Controller
(Authorized Officer and Chief Accounting Officer)