PACCAR FINANCIAL EUROPE BV
FINANCIAL STATEMENTS 2013

PACCAR Financial Europe BV
Hugo van der Goeslaan 1
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The Netherlands

PACCAR FINANCIAL

TABLE OF CONTENTS

FINANCIAL REVIEW BY MANAGEMENT

General

PACCAR Financial Europe BV ("the Company") provides financing of trucks and related equipment manufactured primarily by DAF Trucks NV ("DAF") and principally sold by independent authorized DAF dealers. The Company also finances DAF dealer inventories of new and used DAF trucks. Furthermore, the Company provides short term and long term truck and trailer rental services through its full service operating lease subsidiary, PACCAR Leasing GmbH (PacLease).

The current board has been selected on the basis of their wide ranging experience, backgrounds, skills, knowledge and insights, regardless of gender. With respect to the board of directors, the legislation regarding diversity will be taken into account at the moment of new appointments.

2013 Group Results compared to 2012

The Western European above 16 ton truck market increased 9% to 240,800 registrations (2012: 221,500). The 6-16 ton truck market in Western Europe increased 3% to 57,000 registrations (2012: 55,000) reflecting the slightly improving economic environment.

The Company provided retail financing for 22.0% of DAF trucks registered in all markets in which the Company operated in 2013, a decrease compared to 26.4% in 2012. This decrease in market share reflected the high number of DAF registrations at the end of 2013 due to the strong pull forward demand for Euro 5 trucks before Euro 6 environmental regulations became effective in 2014.

The portfolio of finance receivables and equipment on operating leases increased from €1.45 billion to €1.55 billion at December 31, 2013. The higher asset base reflects further growth of the portfolio in Poland. Furthermore, lower repossessions due to improved portfolio quality were only partially offset by lower new business. Wholesale receivables increased 33% to €497 million at December 31, 2013 from €373 million at December 31, 2012 reflecting the effect of the Euro 5 pull forward. Commercial paper, loans and term debt, on which the Company pays interest, increased 13% to €1.72 billion at the end of 2013 from €1.52 billion at the end of 2012 consistent with asset growth.

Company revenue decreased by €11 million to €331 million mainly as a result of lower used trucks sales partially offset by the increase in average receivables. The Company reported a pre-tax income of €34.5 million for the year ended December 31, 2013, compared to a pre-tax income of €32.6 million in 2012. The pre-tax result reflects the lower cost of sales of used trucks and lower addition to the allowance for impairment losses from improving portfolio quality partially offset by lower revenue and higher depreciation and operating expense from asset growth. Net income in 2013 of €24.8 million was 6% higher than 2012 net income of €23.5 million. The effective tax rate of 28.1% was comparable level to 2012.

At year end, 288 people were working for the Company compared to 275 at year end 2012.

Risks and Risk Management

The Company matches currency and interest rate risks through the use of derivative instruments such as interest rate swaps, cross currency swaps and currency forward contracts. The Company does not enter into speculative transactions. The risk management policies and the derivative instruments used are further disclosed in notes 18 and 19 to the consolidated financial statements.

Changes in legislation and regulatory requirements can impact the results of the Company. In particular, changes in emission standards could impact the timing of the delivery of new trucks as well as the residual value of trucks returning from operating lease agreements. A frequent review of the residual values of leased equipment is performed and when necessary, depreciation is adjusted as appropriate.

Before financing equipment, the Company evaluates the creditworthiness of customers utilizing both internal and external sources of information. Retail finance and wholesale receivables are collateralized by the equipment being financed.

Capital Resources and Liquidity

The Company, including its wholly owned subsidiary in the U.K., PACCAR Financial Plc, funds its financing activities through a €1.25 billion Commercial Paper (CP) program, a €1.5 billion Euro Medium Term Note Program (EMTN) and loans from other PACCAR group companies. The CP program is rated A-1 and the EMTN program is rated A+ by Standard & Poor's Rating Services. These programs are supported by a keep-well agreement from PACCAR Inc. The medium-term notes are listed on the London Stock Exchange. The Company issued €300 million of debt under the EMTN program in 2013.

The Company was able to meet its financing needs in 2013 through the issue of commercial paper, Euro Medium Term Notes and loans from other PACCAR group companies.

2014 Outlook

Dependent on the economic developments in Europe, the above 16 ton trucks market in Europe are forecasted to be in the range of 200,000-230,000 units. With a class-leading product range, top quality services and a strong dealer network, DAF is well positioned to continue growing market share in the coming years. 2014 production levels are expected to develop in line with the estimated truck market. The Company expects its finance receivables and equipment on operating lease portfolio in 2014 to increase modestly by improving retail market share in the current markets and a higher average contract balance for Euro 6 trucks financed. Furthermore, in 2014 the Company will start doing business in Czech Republic. The Company expects to continue to meet its debt funding needs in 2014 through the public debt market and loans from other PACCAR group companies. The credit risks to which the Company is exposed are forecast to be comparable to 2013. Furthermore, the value of the Company's collateral is expected to remain comparable and may increase modestly from 2013 due to fewer used trucks in the market from a lower number of finance and lease contracts maturing in 2014.

The Company continues to manage its selling, general and administrative expenses commensurate to the economic circumstances. The number of people working for the Company is expected to grow slightly in 2014 reflecting the increasing business in Poland and Czech Republic.

Forward Looking Statements

Certain information presented in this financial review by management contains forward-looking statements, which are subject to risks and uncertainties that may affect actual results. Risks and uncertainties include, but are not limited to: European and individual country economic, political and industry conditions, changes in the levels of new business volume due to unit fluctuations in new DAF truck sales, changes in competitive factors, changes affecting the profitability of truck owners and operators, including fuel costs, price changes impacting equipment costs and residual values, changes in costs, credit ratings or other factors that would affect financing costs, insufficient liquidity in the capital markets and availability of other funding sources and legislation and governmental regulation.

Eindhoven, The Netherlands
April 7, 2014

G.J.B. Bas

R. E. Armstrong

R. A. Bengston
Directors PACCAR Financial Europe BV

PACCAR FINANCIAL

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2013
(Before appropriation of net income)

In €'000

ASSETS	**Notes**	**2013**	2012
Cash and cash equivalents	4	10,799	13,819
Wholesale receivables, net	5	497,468	373,150
Inventory, prepaid expenses and other current assets	6	28,186	34,303
Equipment on operating lease, net	7	516,833	488,121
Finance and other receivables, net	8	1,027,259	964,074
Deferred income tax assets	9	22,921	27,558
Other non-current assets	10	14,115	10,913
Intangible assets	11	278	356
Total Assets		**2,117,859**	**1,912,294**

EQUITY & LIABILITIES			
Liabilities			
Accounts payable, accrued expenses and other	12	48,560	60,223
Commercial paper, bank loans and other short-term debt	13	548,072	643,149
Term debt	14	1,174,256	881,766
Deferred income tax liabilities	9	6,258	8,112
Other non-current liabilities	15	33,874	40,852
Total Liabilities		**1,811,020**	**1,634,102**
Shareholder's equity			
Paid-in capital	16	13,000	13,000
Additional paid-in capital	16	224,046	224,046
Foreign currency translation	16	(13,358)	(11,689)
Accumulated fair value changes of financial instruments	16	(5,810)	(11,347)
Retained earnings previous years		64,182	40,715
Net income		24,779	23,467
Total Equity		**306,839**	**278,192**
Total Equity and Liabilities		**2,117,859**	**1,912,294**

Signed: R. E. Armstrong, R. A. Bengston, G.J.B. Bas, Directors PACCAR Financial Europe BV

April 7, 2014

CONSOLIDATED INCOME STATEMENT - 2013

In €'000	Notes	Year ended December 31	
		2013	2012
Revenue	20	**331,100**	**342,263**
Cost of sales used trucks		100,073	118,140
Interest expense	21	26,820	27,664
Depreciation and operating expense - operating leases	7	107,526	98,109
Other operating expense	22	31,308	30,736
Addition to allowance for impairment losses	8	3,100	7,498
Selling and administrative expense	23	27,787	27,537
		296,614	**309,684**
Income before income taxes		**34,486**	**32,579**
Income tax expense	24	9,707	9,112
Net income		**24,779**	**23,467**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME - 2013

In €'000	Notes	Year ended December 31	
		2013	2012
Net income		**24,779**	**23,467**
Other comprehensive (loss)/ income			
Foreign currency translation	16	(1,669)	1,932
Movement on financial instruments	16	7,290	(5,206)
Income tax effect	16	(1,753)	1,252
Net movement on financial instruments		5,537	(3,954)
Total other comprehensive income/(loss) to be reclassified to income statement in subsequent periods		**3,868**	**(2,022)**
Total comprehensive income, net of tax		**28,647**	**21,445**

Signed: R. E. Armstrong, R. A. Bengston, G.J.B. Bas, Directors PACCAR Financial Europe BV

April 7, 2014

CONSOLIDATED STATEMENT OF CASH FLOWS - 2013

In €'000	Notes	Year ended December 31	
		2013	2012
Operating activities:			
Net income		24,779	23,467
Items included in net income not affecting cash:			
Depreciation and amortization	7,10,11	106,176	94,244
Allowance for impairment	5,7,8	4,131	10,813
Deferred income tax expense	9	5,382	15,050
Derivative contracts	19	(7,700)	(6,835)
Other, net	26	7,053	(376)
Net cash provided by operating activities	26	**139,821**	**136,363**
Investing activities:			
Finance and other receivables originated	8	(430,561)	(455,523)
Collections on finance and other receivables	8	373,734	352,149
Acquisition of equipment on operating lease	7	(197,745)	(223,458)
Disposal of equipment on operating lease	7	63,635	74,485
Net (increase)/ decrease in wholesale receivables	5	(136,112)	114,477
Other, net	10	(276)	(203)
Net cash used in investing activities	26	**(327,325)**	**(138,073)**
Financing activities:			
Net change in Commercial Paper	13	(90,382)	(425,321)
Net (payments to)/ proceeds from	13	(22,395)	41,560
Proceeds from Medium Term Notes	14	298,679	378,790
Net cash provided by/ (used in) financing activities	26	**185,902**	**(4,971)**
Net foreign exchange difference		(1,418)	1,923
Net decrease in cash and cash equivalents		**(3,020)**	**(4,758)**
Cash and cash equivalents at beginning of period	4	13,819	18,577
Cash and cash equivalents at end of period		**10,799**	**13,819**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY - 2013

In €'000	Paid-in capital*	Additional paid-in capital*	Foreign currency trans-lation*	Accumu-lated fair value changes financial instruments*	Retained earnings previous years	Net income	**Total**
As of January 1, 2012	13,000	224,046	(13,621)	(7,393)	20,744	19,971	256,747
Net income						23,467	23,467
Other comprehensive income/ (loss)			1,932	(3,954)			(2,022)
Total comprehensive income/ (loss)			1,932	(3,954)		23,467	21,445
Appropriation of net income					19,971	(19,971)	-
As of December 31, 2012	13,000	224,046	(11,689)	(11,347)	40,715	23,467	278,192
Net income						24,779	24,779
Other comprehensive (loss)/ income			(1,669)	5,537			3,868
Total comprehensive (loss)/ income			(1,669)	5,537		24,779	28,647
Appropriation of net income					23,467	(23,467)	-
As of December 31, 2013	13,000	224,046	(13,358)	(5,810)	64,182	24,779	306,839

* See note 16.

NOTES TO THE CONSOLIDATED STATEMENTS - 2013

1. GENERAL NOTES

Description of the business

PACCAR Financial Europe BV (the “Company”), Eindhoven, The Netherlands, is an indirect wholly owned subsidiary of PACCAR Inc (“PACCAR”) headquartered in Bellevue, Washington, USA. The Company’s 100% direct parent is PACCAR Holding BV (“Parent”), Eindhoven, The Netherlands.

The Company provides financing of trucks and related equipment manufactured primarily by DAF Trucks NV (“DAF”) and mainly sold by independent authorized DAF dealers. The Company finances dealer inventories of new and used DAF trucks (“wholesale finance”). The finance activities for end users of the equipment, including finance leases and operating leases, are indicated throughout these financial statements as “retail finance”. Furthermore, the Company administers residual value guarantees to third parties in the United Kingdom. The risk relating to these residual value guarantees remains with DAF. The Company is paid a fee for these services. The Company provides short term and long term truck and trailer rental services through its full service operating lease subsidiary, PACCAR Leasing GmbH (PacLease). This activity is indicated throughout these financial statements as ‘rental’.

The operations of the Company are fundamentally affected by its relationship with PACCAR.

Due to the nature of the Company’s business, customers are concentrated in the transportation industry primarily throughout Western Europe. Retail finance, rental and wholesale finance receivables are generally collateralized by the equipment being financed.

Statement of compliance

The consolidated financial statements of PACCAR Financial Europe BV have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The accounting policies adopted are consistent with those of the previous financial year.

The following new and amended standards and IFRIC interpretations did not have any impact on the accounting policies, financial position or performance of the Company:

- IFRS 13 – Fair value measurements, effective 1 January 2013
- Annual improvements to IFRSs 2009-2011 Cycle, effective 1 January 2013
- Amendments to IAS 1 – Presentation of items of other comprehensive income, effective 1 January 2013
- Amendments to IAS 12 Deferred Tax: Recovery of Underlying Assets, effective 1 January 2013
- Amendments to IAS 32 – Offsetting financial assets and financial liabilities, effective 1 January 2013
- Amendments to IFRS 1 – Severe hyperinflation, effective 1 January 2013
- Amendments to IFRS 1 – Government loans, effective 1 January 2013
- Amendments to IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities. Effective 1 January 2013

The below standard has minor impact on the financial statements of the Company:

- IAS 19 Revised – Employee benefits, effective 1 January 2013. Applying IAS 8.16b the introduction of IAS 19 Revised is not treated as a change in accounting policy.

Standards and interpretations issued but not yet effective up to the balance sheet date of the Company's financial statements are listed below. These are the standards and interpretations issued, which the Company expects to be applicable at a future date. The Company intends to adopt these standards and interpretations when they are adopted by the European Union and become effective. These standards, improvements, amendments and interpretations are expected to have no impact on the financial statements of the Company:

- IFRS 10 – Consolidated financial statements, effective 1 January 2014
- IFRS 11 – Joint arrangements , effective 1 January 2014
- IFRS 12 – Disclosure of interests in other entities, effective 1 January 2014
- IFRS 14 – Regulatory deferral accounts, effective 1 January 2016
- Annual improvements to IFRSs 2010-2012 Cycle, effective 1 July 2014
- Annual improvements to IFRSs 2011-2013, effective 1 July 2014
- Amendments to IAS 36 – Recoverable amount disclosures for non-financial assets, effective 1 January 2014
- Amendments to IAS 39 – Novation of derivatives and continuation of hedge accounting, effective 1 January 2014
- Amendments to IFRS 7 and IFRS 9 Mandatory effective date and transition disclosure, effective 1 January 2014
- Amendments to IFRS 10, IFRS 12 and IAS 27 – Investment entities, effective 1 January 2014
- IAS 27 Revised – Separate financial statements, effective 1 January 2014
- IAS 28 Revised – Investments in associates and Joint ventures, effective 1 January 2014
- IFRIC interpretation 21 – Levies, effective 1 January 2014

The below standard is expected to have minor impact on the financial statements of the Company:

- IAS 19 Revised – Employee benefits (Defined benefit plans: Employee contributions), effective 1 July 2014

The Company has not yet considered the impact of adopting IFRS 9 (Financial Instruments: Classification and Measurement) and subsequent amendments (amendments to IFRS 9 and IFRS 7: Mandatory effective date and transition disclosures and Hedge accounting and amendments to IFRS 9, 7 and IAS 39) as the expected effective date for this standard is still uncertain and the EU adoption process has not started yet.
The Corporate Income Statement has been prepared, taking into account article 2:402 of the Netherlands Civil Code.
PACCAR Financial Europe BV has presented the Consolidated Statement of Financial Position in order of liquidity of the assets and liabilities.

Authorization of the financial statements

On April 7, 2014, the Board of Directors authorized the issuance of the Company’s 2013 financial statements at the shareholder’s meeting.

PACCAR
FINANCIAL

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The financial statements are prepared under the historical cost convention except for the derivative financial instruments and the liabilities that are hedged items in fair value hedges. Those have been measured at fair value. All amounts in the financial statements are stated in €'000 unless stated otherwise. The Statement of Financial Position is presented before appropriation of the current year's net income.

Consolidation

The consolidated financial statements are comprised of the financial accounts of PACCAR Financial Europe BV and its wholly owned subsidiaries after elimination of all intercompany balances and transactions. Subsidiaries are consolidated as of the date that control is transferred to the group and cease to be consolidated as of the date that control is transferred out of the group. The financial statements of the subsidiaries are prepared for the same reporting period as those of PACCAR Financial Europe BV using consistent accounting principles. Adjustments have been made to conform for any dissimilar accounting policy.

These financial statements consist of PACCAR Financial Europe BV presented alone and consolidated with the following subsidiaries:

Group company	*Capital Investment*	*Country of incorporation*	*Date of transfer of control to the group*
PACCAR Financial Holdings Europe BV	100%	Netherlands	March 15, 2001
PACCAR Financial Nederland BV	100%	Netherlands	March 15, 2001
PACCAR Financial Deutschland GmbH	100%	Germany	May 29, 2001
PACCAR Financial France S.A.S.	100%	France	May 30, 2001
PACCAR Financial Plc	100%	United Kingdom	March 29, 2001
PACCAR Financial Belux BVBA	100%	Belgium	May 28, 2001
PACCAR Financial España S.r.l.	100%	Spain	June 5, 2001
PACCAR Financial Italia S.r.l.	100%	Italy	April 5, 2001
PACCAR Financial Services Europe BV	100%	Netherlands	December 31, 2003
Commercial Vehicles Contracts Ltd.	100%	United Kingdom	April 1, 2005
PACCAR Leasing GmbH	100%	Germany	May 31, 2007
PACCAR Financial Polska Sp. z o.o.	100%	Poland	August 29, 2008
PACCAR Financial CZ s.r.o.	100%	Czech Republic	October 22, 2013

No significant restriction exists on the ability of the subsidiaries to transfer funds to the Company.

Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect amounts reported and disclosed in the financial statements. The estimates and assumptions are based on the most recent information available. Actual results could differ from those estimates.

The most important assumptions relate to the collectability of receivables from loan and lease agreements and the residual value of leased equipment. The risk of uncollectability is taken into account in the allowances for impairment. For further details, see the accounting principles on allowances for impairment on wholesale receivables, finance receivables and impairment of equipment on operating lease and notes 5, 7 and 8. Residual values are reviewed periodically and adjusted if market conditions warrant by adjusting depreciation. This review includes analysis of actual used trucks market data of the different truck types and by market.

For the assumptions used to determine the fair value of derivatives, see the accounting principles on derivative financial instruments and note 19.

Foreign currency translation
The functional currency of the Company and all of its subsidiaries is the Euro, except for the subsidiaries based in the United Kingdom. For the Company's subsidiaries in the United Kingdom, the British Pound ("GBP") is the functional currency. All assets and liabilities of these subsidiaries are translated at year-end exchange rates and all income statement amounts are translated at average monthly rates into Euros. Adjustments resulting from the translation of assets and liabilities are recorded in the foreign currency translation component of shareholder's equity in other comprehensive income.

Monetary assets and liabilities denominated in foreign currency are translated into Euros at the year-end spot rate with the resulting gain or loss recorded in the income statement. Other transactions denominated in foreign currency, are converted into Euros using the actual foreign exchange transaction rate.

The following exchange rates have been applied for the non-Euro currencies.

	Dec. 31, 2013	Average 2013	Dec. 31, 2012	Average 2012
GBP/€	1.2048	1.1956	1.2321	1.2326
US$/€	0.7276	0.7313	0.7580	0.7778
PLN/€	0.2407	0.2391	0.2450	0.2390
CZK/€	0.0366	0.0364	-	-

Classification of financial instruments
All financial instruments are classified as "loans and receivables" except for derivative financial instruments which are classified as "financial assets/ liabilities measured at fair value through profit & loss" or "hedging instruments" respectively.

Derivative financial instruments
Derivative financial instruments are initially recorded at fair value when the Company becomes a party to a derivative contract and subsequently re-measured at fair value. The fair value is determined using a valuation model based on the discounted cash flow method. The trade date is used in accounting for derivatives.

The Company applies cash flow hedge accounting and fair value hedge accounting for its derivative financial instruments except for derivatives used for hedging the foreign currency risk of the intercompany funding of the PACCAR Financial Plc subsidiary. For cash flow hedge transactions, changes in the fair value of the derivative instruments are reported net of income tax to shareholder's equity. The gains and losses on cash flow hedge transactions, initially reported to shareholder's equity, are reclassified to the income statement in the same period that the related cash flows of the hedge transaction affect the income statement. The Company performs hedge effectiveness testing on all its derivatives that are designated as a hedge instrument at inception and subsequently at least on a quarterly basis. Any ineffective portion of hedges is recognized in the income statement. For fair value hedge transactions, the change in the fair value of the derivative instruments and the change in the fair value of the underlying asset or liability are recognized in the income statement in the line "interest expense". When a fair value hedge is terminated before maturity, the difference between the face value and the carrying amount of the debt is amortized during the remaining life time of the debt. This result is recognized in the line "interest expense".

Derivatives used for hedging the foreign currency risk of the intercompany funding of the PACCAR Financial Plc subsidiary and derivatives used to hedge other foreign currency risk are accounted for at fair value through profit and loss. These derivatives serve as economic hedges but do not qualify for hedge accounting in the consolidated financial statements of the Company. As such these are classified as held for trading, and thereby meet the conditions to be accounted for as financial assets or liabilities at fair value through profit and loss.

Classification of contracts

In the contracts with customers to finance equipment, the Company generally retains the legal title of the leased equipment while providing the use of the equipment to these customers. These type of contracts are leases. For some agreements however, the legal title of the equipment is with the user and the equipment is collateralized to the Company. These type of contracts are loans. The other major terms and conditions in the finance agreements relate to the monthly installments, interest rate, repair and maintenance obligations, insurance obligations and requirements in the return conditions of the equipment.

Leases are classified as "finance leases" if substantially all the risks and rewards incidental to ownership are transferred from the Company to the customer or a third party. If the contract does not substantially transfer all the risks and rewards incidental to ownership, the lease is classified as an "operating lease". In general if at inception the unguaranteed residual value of the leased assets is lower than 25% of the gross cost or if at inception the lease term is greater than 75% of the economic life of the asset or if the ownership is transferred automatically at the end of the contract period, the lease is classified as a finance lease.

Wholesale receivables

Wholesale receivables are recorded upon payment to DAF based on the extended payment terms under the terms and conditions for wholesale financing in the Truck Sales Dealer agreements between DAF and its independent dealers or its owned dealers. The equipment financed serves as the collateral for the wholesale receivables. The Company controls the documents needed to register the trucks during the wholesale financing period and releases these documents conditional to the dealer fully meeting its obligations for the related truck within a very limited period.

Wholesale receivables are recorded at amortized cost on initial recognition using the effective interest method, which approximates the fair value. Wholesale receivables are reduced only if market conditions deteriorate. Wholesale receivables are derecognized when the dealer pays his obligations in full for the related trucks or the Company (through legal action) repossesses the trucks or charges off the receivable

Equipment on operating lease

Equipment leased to customers under an operating lease is recorded at cost including commission expense incurred to enter into the contract and netted with amounts, if any, to be received from related or third parties to support the financial structure of the contract ("support"). Equipment on operating lease is depreciated on a straight line basis over the contract term to its estimated residual value. Equipment for rental agreements is depreciated on a straight line basis over the economic life to its estimated residual value.

When a customer voluntarily returns the equipment, the Company repossesses the equipment through legal action or the customer returns equipment at the end of the lease, the equipment is accounted for as used trucks inventory at the lower of the carrying amount of the equipment on operating lease or its fair market value less cost to sell. In case of repossession or voluntary return of the equipment during the contract term or return of the equipment at the end of the lease, any excess of the carrying amount over the fair market value is recorded as an impairment of equipment on operating lease. This difference is recorded in "Depreciation and operating expense - operating leases".

When all impairment conditions of IAS 36, "Impairment of Assets", are met, the impairment is the difference between the carrying value of the assets and the recoverable amount. The recoverable amount is the higher of the value in use and the fair value less cost to sell. The Company uses discounted estimated future cash flows from the operating lease contracts based on historic operating experience to determine the value in use which is generally higher than the fair value less cost to sell of the related equipment. The Company has an impairment allowance on equipment on operating lease. Changes to this allowance are recorded in the line "Depreciation and operating expense - operating leases" in the income statement.

Finance receivables

Finance receivables are recognized at an amount equal to the initial net investment in the lease, less subsequently collected amounts. The initial net investment is the discounted amount of the contractual lease payments to be received and, if applicable, the support to be received from related or third parties plus any residual values guaranteed by third parties or unguaranteed less commission expense ("initial direct cost") incurred to enter into the contract. The discount rate used is the implicit interest rate of the lease.

The Company uses the settlement date when accounting for finance receivables. Finance receivables are subsequently valued at amortized cost using the effective interest method.

When the customer voluntarily returns the equipment at the end of the contract or during the contract term or the Company (through legal action) repossesses the equipment, the equipment is accounted for as used trucks inventory at the lower of the carrying amount of the finance receivable or the fair market value of the equipment less cost to sell. Any excess of the carrying amount over the fair market value less cost to sell is recorded as impairment in case of repossession of the equipment during the contract lifetime. This loss is recorded as “Addition to allowance for impairment losses” in the income statement. In case of return of the equipment at the end of the contract, any excess of the carrying amount over the fair value less cost to sell is recorded in “Revenue from financing”. Finance receivables are also derecognized when the customer voluntarily pays off his obligations under the lease agreement during the contract term. In that case any difference between the carrying amount and the amount received is recorded in the income statement as “Revenue from financing”.

Allowance for impairment on wholesale and retail receivables
Wholesale receivables are generally assessed collectively for impairment. Wholesale receivables with dealers for which the Truck Sales Dealer Agreement has been terminated or wholesale receivables with dealers that are expected to be uncollectable are assessed individually. The Company uses historical loss experience combined with the dealer creditworthiness to assess impairment. The creditworthiness of the dealers is assessed periodically based on quarterly financial information of the dealers. For the expected uncollectible amounts, the Company has established an allowance for impairment on wholesale receivables. Additions or reductions to this allowance are recorded in the line “Addition to allowance for impairment losses” in the income statement.

Impairment for retail receivables is assessed on an individual basis for customers that are individually significant based on gross exposure and for which an indicator for impairment is available. From these customers the Company generally receives interim financial and forward looking financial information. All other retail receivables are assessed collectively for impairment.

For the estimated uncollectable amounts, the Company has established an allowance for impairment on finance receivables. The Company uses discounted estimated future cash flows from the finance lease contracts based on historic loss experience. These future cash flows may relate to the sale of the repossessed equipment. Adjustments to the allowance are recorded in the line “Addition to allowance for impairment losses” in the income statement.

Income taxes
Income tax payable is calculated on the basis of the reported income before income taxes applying the applicable tax laws in each jurisdiction.

The Company forms a fiscal unity with other PACCAR companies in the Netherlands. It is the policy of PACCAR Holding BV, the Company’s parent, to charge (credit) the subsidiaries in the fiscal unity for current income tax expenses (benefits) arising in the individual subsidiaries as if these are independent tax payers.

Deferred income tax payable and receivables are recognized for temporary differences between the carrying amounts of assets and liabilities in the Statement of Financial Position and their tax bases, that will result in taxable or deductible temporary differences. Deferred income tax benefits, including net operating loss carry-forwards, consider the probability that sufficient taxable income will be available against which these differences can be utilized. When future taxable income is not likely to be earned, the operating loss carry forwards and deferred income tax benefits are not recognized. Deferred income tax assets and liabilities are valued at the current or enacted income tax rates applicable in the year in which the deferred income taxes are expected to reverse into taxable income (see note 9).

Current and deferred income tax payable and receivables are recognized into income tax expense (benefit) except for deferred income taxes relating to changes in the fair value of derivative instruments designated as cash flow hedges, which are recorded in “Accumulated fair value changes of financial instruments” within shareholder’s equity.

Intangible Assets

Capitalized software is recorded at cost less amortization and accumulated impairment losses and are amortized over their useful life.

Financial liabilities originated from funding

Euro Medium Term Notes (EMTN), long-term advances from affiliates, commercial paper and short-term advances from affiliates are initially recognized at fair value. Subsequently the effective interest method is used to measure these debt obligations from fair value at inception to the redemption value over the lifetime of the liability. The costs related to the Company’s credit facilities (note 18) and the cost to set up and maintain the Euro Medium Term Note program are recognized in the income statement over the credit facility life and the term of the notes issued, respectively.

Deferred revenue

Deferred revenue primarily relates to deferred revenue from operating leases. The deferred revenue from operating leases mainly originates from the differences between the payment schedules as agreed upon with the customers and the straight line recognition to income of the lease payments over the contract term. These differences mainly relate to down payments or advance rental payments at the beginning of the operating lease.

Other assets and liabilities

Other assets and liabilities are initially recognized at cost which equals fair value at that time. These assets and liabilities are subsequently measured at amortized cost less, when required, an allowance for impairment. For inventory see note 6 and for fixed assets see note 10.

Revenue

Operating leases

The operating lease rental income and support income are recognized in the income statement on a straight line basis over the contract term and presented in note 20 as “Revenue from financing”.

Finance leases

The interest income and support income, net of commission expenses on finance leases are recognized in the income statement on a constant rate of return basis and presented in note 20 as “Revenue from financing”.

Retail finance fee income

The Company provides additional services for some customers who have entered into a finance lease or operating lease. These services are primarily administrative but may incorporate a financing element. The Company does not incur additional risks except for the risk of non-collectability. The fees are recognized in note 20 as “Other revenue”. Fees for administrative services are generally recognized on a straight line basis over the contract life time. Fees for services which are predominately for financing are generally recognized using the effective interest method.

Interest income wholesale financing

Interest from wholesale financing is recognized in the income statement using the effective interest method and is presented in note 20 as “Revenue from financing”.

Used truck sales

When the Company sells its used trucks from inventory, the related revenue is recorded in the line “Revenue from sale of used trucks” in the income statement. The related carrying amount of the used trucks inventory are recorded as cost of sales in the line “Cost of sales used trucks”. Used trucks are recognized in the income statement at settlement date.

Suspension of revenue

Operating lease rental income, interest income finance lease, interest income wholesale financing and support income is suspended when it is no longer probable that the economic benefits associated with the contracts will flow to the Company. This is generally the case when the contract is past due for more than 90 days. Previously recorded revenue is not reversed. Suspended revenue is recorded in the related revenue line of the income statement when the contract becomes current again as a result of a cash payment. In case a contract becomes current as a result of restructure of the contract, the contract must be current for three consecutive months before suspended income is recorded in the income statement.

3. OPERATING SEGMENTS

The Company’s operating segments are finance and rental. These business segments are managed separately. The finance segment includes wholesale and retail finance. Rental relates to full service operating lease (renting) of transportation equipment to end customers. For these combined activities no separate income statement is reported to the chief operating decision maker. All amounts in the segments are reported under US GAAP. Transfer prices are at an arms-length basis. No revenue from transactions with a single external customer exceeded 10% or more of the Company’s total revenue.

The segment reporting as of and for the year ended December 31, 2013 was as follows:

In €'000	Finance	Rental	Elimi- nations	Internal Total	Reported adjustments	IFRS
Revenue						
Revenue from external customers	166,091	63,880	-	229,971	101,129	331,100
Inter-segment revenue	3,104	-	(3,104)	-	-	-
Segment revenue	169,195	63,880	(3,104)	229,971	101,129	331,100
Cost of sales used trucks	-	-	-	-	(100,073)	(100,073)
Interest expense	(25,870)	(1,948)	1,840	(25,978)	(842)	(26,820)
Depreciation and operating expense - operating leases	(86,296)	(25,118)	-	(111,414)	3,888	(107,526)
Other operating expense	(36)	(31,020)	-	(31,056)	(252)	(31,308)
Addition to allowance for impairment losses	(5,090)	(498)	-	(5,588)	2,488	(3,100)
Selling and administrative expense	(20,144)	(4,318)	1,264	(23,198)	(4,589)	(27,787)
Total income before income taxes	31,759	978	-	32,737	1,749	34,486

The segment reporting as of and for the year ended December 31, 2012 was as follows:

In €'000	Finance	Rental	Elimi- nations	Internal Total	Reported adjustments	IFRS
Revenue						
Revenue from external customers	155,831	65,467	-	221,298	120,965	342,263
Inter-segment revenue	2,893	-	(2,893)	-	-	-
Segment revenue	158,724	65,467	(2,893)	221,298	120,965	342,263
Cost of sales used trucks	(18)	-	-	(18)	(118,122)	(118,140)
Interest expense	(24,849)	(2,338)	1,662	(25,525)	(2,139)	(27,664)
Depreciation and operating expense - operating leases	(72,420)	(26,129)	-	(98,549)	440	(98,109)
Other operating expense	-	(30,736)	-	(30,736)	-	(30,736)
Addition to allowance for impairment losses	(6,614)	(1,070)	-	(7,684)	186	(7,498)
Selling and administrative expense	(19,894)	(4,800)	1,231	(23,463)	(4,074)	(27,537)
Total income before income taxes	34,929	394	-	35,323	(2,744)	32,579

Reconciliation to the financial statements

The internal reported revenue of the finance segment does not include the revenue of the sales of used trucks. This revenue is internally presented net on the line "Depreciation and operating expense - operating leases". The internal reported revenue of the operating segments includes the amortization of the deferred cost incurred to acquire retail finance contracts and rental contracts.

The adjustment of the interest expenses is due to differences in applying hedge accounting.

The internal reported "Depreciation and operating expense - operating leases" include result on sale of used trucks for the finance segment and a timing difference on the impairment charges on the equipment on operating lease.

The allowance for impairment losses under IFRS is calculated under a different method and this is reflected in the lines "Depreciation and operating expense - operating leases" and "Addition to allowance for impairment losses".

The internal reported "Selling and administrative expense" of the operating segments include a deferral of cost incurred to acquire retail finance contracts and rental contracts

Geographic information

The geographical segment reporting as of and for the year ended December 31, 2013 was as follows:

In €'000	Domestic	Continent	U.K.	Eliminations	Total
Revenue					
Revenue from external customers	33,239	237,892	59,969	-	331,100
Inter-segment revenue	20,838	-	-	(20,838)	-
Segment revenue	54,077	237,892	59,969	(20,838)	331,100
Non-current assets					
Segment assets	1,981,806	843,734	610,040	-	3,435,580
Eliminations/unallocated	-	-	-	(1,317,721)	(1,317,721)
Total assets	1,981,806	843,734	610,040	(1,317,721)	2,117,859

Inter-segment revenue relates to interest on funding charged to the subsidiaries of the Company. The interest is based on the actual cost, both direct and indirect, attributable to the funding of the Company.

For wholesale receivables, the assets mainly reside in the Netherlands. In all other cases, the location of the assets resides in the same location as the customers. The following table states the segment assets based on the location of the customers.

In €'000	Segment Assets
Domestic	1,512,301
Continent	1,078,246
U.K.	845,033
Eliminations	(1,317,721)
Total	**2,117,859**

The geographical segment reporting as of and for the year ended December 31, 2012 was as follows:

In €'000	Domestic	Continent	U.K.	Eliminations	Total
Revenue					
Revenue from external customers	34,843	246,560	60,860	-	342,263
Inter-segment revenue	22,595	-	-	(22,595)	-
Segment revenue	57,438	246,560	60,860	(22,595)	342,263
Non-current assets					
Segment assets	1,737,888	839,565	545,462	-	3,122,915
Eliminations/unallocated	-	-	-	(1,210,621)	(1,210,621)
Total assets	1,737,888	839,565	545,462	(1,210,621)	1,912,294

In €'000	Segment Assets
Domestic	1,397,010
Continent	1,048,411
U.K.	677,494
Eliminations	(1,210,621)
Total	**1,912,294**

Product information

The following table present the revenue for each product for the year ended December 31, 2013:

In €'000	Retail Finance	Rental	Wholesale Finance	Total
Revenue				
Revenue from external customers	225,097	90,300	15,703	331,100

The following tables present the revenue for each product for the year ended December 31, 2012:

In €'000	Retail Finance	Rental	Wholesale Finance	Total
Revenue				
Revenue from external customers	219,840	106,417	16,006	342,263

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the cash at hand, positive bank balances and short-term bank deposits and is available without restrictions. A floating interest based on either EURIBOR or LIBOR interest rates is earned on positive bank balances.

5. WHOLESALE RECEIVABLES, NET

In €'000	**2013**	2012
Wholesale receivables, Euro denominated	263,308	242,508
Wholesale receivables, GBP denominated	237,544	134,316
Wholesale receivables gross	500,852	376,824
Allowance for impairment losses wholesale receivables	(3,384)	(3,674)
Wholesale receivables, net	497,468	373,150

Wholesale receivables from dealers are located primarily in Western Europe. There are no significant concentrations of wholesale receivables with individual dealers.

Interest rates for wholesale receivables reset monthly based on three month EURIBOR rates for Euro-denominated receivables and on three month LIBOR rates for GBP-denominated receivables. Wholesale receivables are generally collected within six months after inception.

Wholesale receivables are considered to be past due when the age of the receivable exceeds the maximum agreed upon time in the related wholesale program, which is generally set at 180 days. The Company continues charging interest during the past due period.

The aging of the wholesale receivables is as follows:

	2013			2012		
In €'000	Individually assessed	Not individually assessed	Total	Individually assessed	Not individually assessed	Total
Current	-	493,983	493,983	137	372,852	372,989
Past due accounts						
0 - 30 days	167	3,812	3,979	-	1,611	1,611
31 - 60 days	69	1,243	1,312	-	346	346
61 - 90 days	184	1,069	1,253	-	62	62
Over 90 days	310	15	325	1,740	76	1,816
	730	500,122	500,852	1,877	374,947	376,824

The movement in the allowance for impairment losses wholesale receivables is as follows:

In €'000	**2013**	2012
Balance as of January 1	(3,674)	(4,284)
Charge off/ Write downs	530	155
Recoveries	-	(175)
Releases/ (Additions)	(240)	630
Balance as of December 31	(3,384)	(3,674)

The individually assessed part of the allowance for the impairment loss is €384 (2012: €875).

6. INVENTORY, PREPAID EXPENSES AND OTHER CURRENT ASSETS

In €'000	**Notes**	**2013**	2012
Used trucks inventory		11,204	16,663
Income tax		-	8
Prepaid expenses and other current assets		16,982	17,632
Inventory, prepaid expenses and other current assets		28,186	34,303

Used trucks inventory

Used trucks inventory represents trucks and other transportation equipment repossessed or returned by customers or dealers. The estimated market value less cost to sell is reassessed periodically and, when deemed necessary, the carrying amount is decreased to equal the lower estimated market value less cost to sell. The decrease is accounted for in the same way as a write-down. Equipment is derecognized from used trucks inventory at sale of the equipment to a third party or a related PACCAR entity or when the equipment is financed with a customer.

The movement of the used trucks inventory has been as follows:

In €'000	**2013**	2012
Balance as of January 1	16,663	19,633
Used trucks returned/ repossessed from operating leases	61,670	75,806
Used trucks repossessed from finance leases	24,277	36,765
Recoveries/ (Write-downs) of inventory	1,516	(2,332)
Used trucks sold or refinanced	(92,730)	(113,306)
Foreign currency translation difference	(192)	97
Balance as of December 31	11,204	16,663

Prepaid expenses and other current assets

Included in the prepaid expenses is an amount of prepaid borrowing cost of €2,389 (2012: €2,819). The prepaid expenses and other current assets mainly relate to the amounts prepaid in the course of providing administrative services to customers. These administrative services primarily relate to the handling of insurance for leased equipment, repair and maintenance of this equipment and government charges on the use of this equipment.

7. EQUIPMENT ON OPERATING LEASE, NET

In €'000	**2013**	2012
Equipment on operating lease	522,391	494,453
Impairment	(5,558)	(6,332)
Equipment on operating lease, net	516,833	488,121

The movement of these items is as follows:

In €'000	Equipment on operating lease	Impairment	Total
Book value as of January 1, 2013	494,453	(6,332)	488,121
Additions	197,745	(1,032)	196,713
Disposal to inventory	(61,670)	-	(61,670)
Other movements	136	-	136
Depreciation	(105,903)	-	(105,903)
Impairment from repossession	(1,325)	1,325	-
Further write downs	-	481	481
Foreign currency translation differences	(1,045)	-	(1,045)
Book value as of December 31, 2013	522,391	(5,558)	516,833
Accumulated depreciation	199,248	-	199,248
Gross Cost as of December 31, 2013	721,639	(5,558)	716,081

In €'000	Equipment on operating lease	Impairment	Total
Book value as of January 1, 2012	439,453	(5,223)	434,230
Additions	223,458	(3,314)	220,144
Disposal to inventory	(75,806)	-	(75,806)
Other movements	456	-	456
Depreciation	(93,971)	-	(93,971)
Impairment from repossession	(797)	797	-
Further write downs	-	1,415	1,415
Foreign currency translation differences	1,660	(7)	1,653
Book value as of December 31, 2012	494,453	(6,332)	488,121
Accumulated depreciation	161,422	-	161,422
Gross Cost as of December 31, 2012	655,875	(6,332)	649,543

The equipment on operating lease includes an amount of €121,214 (2012: €137,241) for the rental fleet. In 2013 the additions to the PacLease rental fleet amounted to €33,492 (2012: €55,103), the depreciation of the rental fleet amounted to €25,529 (2012: €26,417) and the disposals from the rental fleet amounted to €23,991 (2012: €38,726). Other movements relate primarily to restructures, early settlements and movements from inventory.

During 2013, €3,622 (2012: €7,084) was charged to the income statement for impairments of the equipment on operating lease. In 2013, €4,395 (2012: €5,982) was utilized or released to the income statement from impairment provision recorded in previous years and was recorded under “Depreciation and operating expense - operating leases”.

The average remaining term of the outstanding operating lease agreements in 2013 is 32 months (2012: 33 months). For PacLease rental agreements the average remaining term is 9 months (2012: 11 months).

The minimum lease payments to be received after December 31, 2013 and 2012 were as follows (amounts in €’000):

Term	**2013**	2012
< 1 year	117,790	113,571
2 – 5 years	111,300	122,571
>5 years	210	55
Total	229,300	236,197

The minimum lease payments consist of the contractual lease terms to be received on the operating lease contracts. The average term of the operating lease agreements at inception in 2013 is 42 months (2012: 43 months). The average term of the rental agreements at inception is 26 months (2012: 28 months). The operating lease installments due are recorded in “Trade and other receivables” (Note 8).

The carrying amount of the equipment on operating lease includes the unguaranteed residual values of the equipment at the end of the contract for an amount of €301,000 at December 31, 2013 (2012: €275,027). These residual values relate to the estimated value of the equipment at maturity of the lease agreements. The residual value of the equipment on operating lease is evaluated regularly against the market value of comparable used trucks at the contractual end of the lease contracts. The depreciation is adjusted as necessary by adjusting future depreciation amounts and if needed. When the additional depreciation is higher than the future net operating lease income to be earned an immediate impairment is recorded. Based on these evaluations, an immediate impairment amount and additional depreciation of €2,590 was recorded in 2013 (2012: €3,770). In the income statement this was recorded under “Depreciation and operating expense - operating leases”.

Depreciation and operating expense - operating leases in Income Statement

In €’000	**2013**	2012
Depreciation on equipment on operating lease	105,903	93,971
Net additions to the impairment allowance of equipment on operating lease	1,032	3,314
Operating expense on equipment on operating lease	591	824
Depreciation and operating expense – operating leases	107,526	98,109

In 2013 the Company incurred an average write-off of €5 (2012: €14) on 137 customers with repossessed operating lease contracts (2012: 134 customers) and recovered an average of €11 (2012: €9) from 63 customers (2012: 79 customers).

Operating expenses on equipment on operating lease consists mainly of repair cost and cost of registration of the vehicles.

8. FINANCE AND OTHER RECEIVABLES, NET

In €'000	**2013**	2012
Finance receivables, net	987,853	933,226
Trade and other receivables	39,406	30,848
Balance as of December 31	1,027,259	964,074

Finance receivables, net

In €'000	**2013**	2012
Retail finance receivables	1,090,156	1,046,915
Unearned interest retail finance receivables	(91,576)	(98,361)
Allowance for impairment losses	(10,727)	(15,328)
Finance receivables, net	987,853	933,226
Current portion of finance receivables	339,984	293,017
Non-current portion of finance receivables	647,869	640,209

The retail finance receivables include receivables under agreements for which the Company does not have the legal title, but retains a secured interest in the equipment. At December 31, 2013 the carrying amount of receivables under these loans was €285,088 (2012: €294,961).

During 2013 an amount of €430,561 (2012: €455,523) was added to the retail finance receivables.

The retail finance receivables are detailed as follows:

	2013			2012		
In €'000	Fixed rate	Variable rate	Total	Fixed rate	Variable Rate	Total
Euro denominated	465,939	58,153	524,092	537,090	1,978	539,068
GBP denominated	541,155	24,909	566,064	489,172	18,675	507,847
Total	1,007,094	83,062	1,090,156	1,026,262	20,653	1,046,915

The interest rates of the Euro and GBP denominated variable retail finance receivables are generally set monthly based on one-month EURIBOR or one-month Bank Base Rate of the Bank of England respectively.

The split of the retail finance receivables and the net present value of the minimum lease payments to be received after December 31, 2013 and 2012 was as follows (amounts in €'000):

	2013		2012	
Term	*Retail finance receivables*	*Net present value of the minimum lease payments*	*Retail finance receivables*	*Net present value of the minimum lease payments*
< 1 year	389,504	339,147	350,709	308,192
2 – 5 years	684,542	545,882	678,875	527,334
>5 years	16,110	5,876	17,331	7,535
Total	1,090,156	890,905	1,046,915	843,061

The minimum lease payments consist of the payments to be received from finance lease contracts as well as residual value guarantees by third parties. The net present value of the minimum lease payments has been calculated using the effective interest rates as of December 31, 2013 and December 31, 2012 respectively taking into account the estimated impairment losses to be incurred.

The reconciliation between the retail finance receivables and the net present value of the minimum lease payments was as follows:

In €'000	**2013**	2012
Retail finance receivables, gross	1,090,156	1,046,915
Unguaranteed residual values	(114,826)	(103,532)
Present value of unearned interest	(73,098)	(84,973)
Present value of expected credit losses	(11,327)	(15,349)
Net present value of minimum lease payments	890,905	843,061

The movement in the allowance for impairment losses on finance receivables was as follows:

In €'000	**2013**	2012
Balance as of January 1	(15,328)	(15,286)
Additions	(2,361)	(7,058)
Credit losses incurred	5,800	4,293
Further write downs	1,162	2,726
Foreign currency translation difference	-	(3)
Balance as of December 31	(10,727)	(15,328)

The net release allowance for impairment losses on finance receivables was €4,601 (2012 addition: €(42)).

The individually assessed part of the allowance for the impairment loss is €2,501 (2012: €2,865).

Addition to allowance for impairment losses in Income Statement

In €'000	Notes	2013	2012
Addition to the impairment retail finance lease receivables		2,361	7,058
Addition to/ (reduction of) the impairment on wholesale receivables	5	240	(630)
Addition to the impairment for rental receivables		499	1,070
Allowance for impairment losses		3,100	7,498

In 2013 the Company incurred an average write-off of €11 (2012: €10) on 516 customers with repossessed finance lease contracts (2012: 573 customers) and recovered an average of €12 (2012: €10) from 252 customers (2012: 324 customers).

The aging of the finance lease receivables at December 31, 2013 and 2012 was as follows:

	2013			2012		
In €'000	Individually assessed	Not individually assessed	Total	Individually assessed	Not individually assessed	Total
Current portfolio	794	1,079,720	1,080,514	22,424	1,020,145	1,042,569
0 - 30 days	-	1,877	1,877	414	1,947	2,361
	794	1,081,597	1,082,391	22,838	1,022,092	1,044,930
Past due						
31 - 60 days	-	510	510	374	576	950
61 - 90 days	-	142	142	168	285	453
over 90 days	6,570	543	7,113	26	556	582
	6,570	1,195	7,765	568	1,417	1,985
	7,364	1,082,792	1,090,156	23,406	1,023,509	1,046,915

The past due amounts relate to the invoiced terms. An amount is considered past due when it is over 30 days after the invoice date. The amount of the portfolio of the past due accounts was €16,097 (2012: €12,234). The portfolio amount of the past due accounts that have been individually assessed was €6,570 (2012: €3,128).

Non-performing amounts are generally more than 90 days past the contractual due date. As of December 31, 2013 the total portfolio amount of customer balances that were non-performing was €8,890 (2012: €3,368).

Troubled debt restructures (further: Forborne receivables)

In solving a customer's inability to meet his obligations under the finance contract, the Company may restructure the contract. A restructure generally involves granting payment delay of one or more periodic installments that may lead to extension of the end date of the contract. Also the amount of one or more installments may be changed, but the Company generally does not grant skip payments in a restructure. If the agreed upon delay in payment is significant and the Company was unable to obtain additional collateral or the agreed upon interest rate is below the interest rate the Company would charge to customers with a similar risk profile at the time of the restructure, the Company has granted a concession. A concession resulting from the finance contract restructure of a customer in financial difficulty, that would otherwise not be considered, is objective evidence of impairment and impairment losses are measured accordingly. A restructured wholesale or retail receivable is presented as impaired when there has been a change in the contractual cash flows as a result of a concession which the Company would otherwise not consider, and it is probable that without the concession, the customer would be unable to meet the contractual payment obligations in full.

Forborne receivables, net

In €'000	**2013**	2012
Forborne retail finance receivables	9,080	15,266
Unearned interest forborne retail finance receivables	(164)	(3,668)
Forborne finance receivables, net	8,916	11,598

The movement of the forborne finance receivables was as follows:

In €'000	**2013**	2012
Balance as of January 1	11,598	2,405
Additions	4,566	19,092
Impairments	(4,968)	(5,097)
Other movements	(948)	-
Payments received	(1,332)	(4,802)
Balance as of December 31	8,916	11,598

Other movements relate to receivables that are no longer recognized as forborne receivable because they have been current for twelve consecutive months and the concession granted was not below market interest rate.

The interest income recognized on forborne finance receivables in the year amounted to €303 (2012: €127).

The aging of the forborne receivables was as follows:

	2013			2012		
In €'000	Individually assessed	Not individually assessed	Total	Individually assessed	Not individually assessed	Total
Current portfolio	554	-	554	15,073	-	15,073
0 - 30 days	1,848	-	1,848	152	-	152
	2,402	-	2,402	15,225	-	15,225
Past due						
31 - 60 days	-	-	-	6	-	6
61 - 90 days	-	-	-	35	-	35
over 90 days	6,678	-	6,678	-	-	-
	6,678	-	6,678	41	-	41
	9,080	-	9,080	15,266	-	15,266

Of the €9,080 (2012: €15,266) individually assessed forborne receivables in 2013, €6,570 (2012: €13,061) related to one retail customer.

Trade and other receivables

In €'000	Notes	2013	2012
VAT receivable		4,146	3,959
Interest and lease receivables, net		11,212	12,285
Accounts receivable affiliates	25	24,048	14,604
Trade and other receivables		39,406	30,848

VAT receivable

The VAT receivables are with tax authorities in various European countries and mainly originate from the wholesale business as well as recoverable VAT on uncollectable retail finance receivables.

Interest and lease receivables

In €'000	2013	2012
Interest and lease receivables	6,055	7,057
Rental receivables	6,746	6,710
Impairment rental receivables	(1,589)	(1,482)
Interest and lease receivables, net	11,212	12,285

Interest and lease receivables mainly relate to receivables on customers from operating lease. Interest and lease receivables and rental receivables are non-interest bearing and generally have a 30-120 day term.

The aging of the interest and lease and rental receivables was as follows.

	2013			2012		
In €'000	Individually assessed	Not individually assessed	Total	Individually assessed	Not individually assessed	Total
0 - 30 days	795	7,207	8,002	732	7,998	8,730
Past due Accounts						
31 - 60 days	169	377	546	87	1,273	1,360
61-90 days	142	69	211	63	585	648
Over 90 days	534	3,508	4,042	425	2,604	3,029
	1,640	11,161	12,801	1,307	12,460	13,767

The movement of the impairment of the rental receivables is as follows:

In €'000	**2013**	2012
Balance as of January 1	(1,482)	(1,182)
Additions	(499)	(1,070)
Charge offs	392	770
Balance as of December 31	(1,589)	(1,482)

9. DEFERRED TAX

Deferred income taxes as of December 31, 2013 and 2012 consist of the following:

	Statement of Financial Position		Income Statement	
In €'000	**2013**	2012	**2013**	2012
Deferred income tax assets				
Impairment on portfolio assets	2,189	4,779	(2,590)	(104)
Lower future depreciation of equipment on operating lease for income tax purposes/ (impairments)	45	2,725	(2,680)	475
Lease accounting	4,116	2,307	1,809	(1,934)
Fair value changes of financial instruments used for hedging	2,533	3,632	-	-
Fair value changes of financial instruments through profit and loss	3,383	4,896	(1,513)	(2,168)
Losses available to offset future taxable income	5,512	6,418	-	-
Depreciation operating lease	2,491	1,864	627	(1,132)
Acquisition subsidiary	-	136	(136)	-
Other	2,652	801	1,852	336
Gross deferred income tax assets	22,921	27,558	(2,631)	(4,527)

In €'000	**2013**	2012	**2013**	2012
Deferred income tax liabilities				
Impairment on portfolio assets	(205)	(14)	(190)	(76)
Accelerated depreciation of equipment on operating lease for income tax purposes	(217)	(89)	(128)	81
Lease accounting	(831)	(962)	131	(110)
Fair value changes financial instruments through profit and loss	(1,136)	(552)	(584)	552
Depreciation operating lease	(2,826)	(2,642)	(184)	(96)
Amortization intangible assets	-	-	-	-
Other	(1,043)	(3,853)	2,813	600
Gross deferred income tax liabilities	(6,258)	(8,112)	1,858	951
Net deferred income tax	16,663	19,446	(773)	(3,576)

The utilization of the deferred income tax asset depends on future taxable profits in excess of the profits arising from the reversal of taxable temporary differences for an amount of €5,512 (2012: €6,418). This arises mainly from operating losses in the past three years in France and operating losses in Germany before 2012. Recognition of deferred income tax assets is based on the Company's expectation that the development of the business in these countries in the foreseeable future and the tax planning measures available to the Company will generate adequate future taxable profits. Due to uncertainty of realization, no "losses available to offset future taxable income" and other temporary tax differences have been recognized for the Spanish subsidiary. For 2013 an amount for "losses available to offset future taxable income" and other temporary differences of €674 (2012:€373) were not recognized for the Spanish subsidiary. The total amount of "losses available to offset future taxable income" that have not been recognized is €7,115 (2012: €7,212). The expiration period for these "losses available to offset future taxable income" is 18 years in Spain.

Deferred income tax assets and liabilities on the fair value changes of financial instruments on cash flow hedges are recorded directly into shareholder's equity in the line "Accumulated fair value changes financial instruments".

10. OTHER NON-CURRENT ASSETS

In €'000	**Notes**	**2013**	2012
Long term derivative assets	19	5,511	2,400
Income tax		3,227	3,227
Fixed assets		5,377	5,286
Other non-current assets		14,115	10,913

The income tax receivable relates to a carry back receivable for France that can be offset with future income tax payables or will be paid by the tax authorities no later than 2015.

Fixed assets

In €'000	2013 Land & Buildings	2013 Equipment	2013 Total	2012 Land & Buildings	2012 Equipment	2012 Total
Book value as of January 1	5,017	269	5,286	5,116	295	5,411
Additions	184	81	265	-	68	68
Disposal	-	(1)	(1)	-	-	-
Depreciation	(101)	(72)	(173)	(99)	(94)	(193)
Book value as of December 31	5,100	277	5,377	5,017	269	5,286
Accumulated depreciation	642	1,080	1,722	541	1,102	1,643
Gross Cost as of December 31	5,742	1,357	7,099	5,558	1,371	6,929

The fixed assets are measured at amortized cost. In "Land & Buildings" an amount of €2,385 (2012: €2,385) is included for land. Land is not depreciated. The remaining average depreciation period at December 31, 2013 is 27 years (2012: 27) for Buildings and 1 year (2012: 1) for equipment. The buildings are depreciated in 33 years on a straight line basis and the equipment is depreciated on a straight line basis in 5 years. There are no contractual obligations to acquire any fixed assets.

11. INTANGIBLE ASSETS

In €'000	**2013**	2012
Software	278	356

Intangible assets

The movement of the intangible assets is as follows.

In €'000	Soft-ware
Book value as of January 1, 2013	356
Additions	17
Depreciation	(95)
Book value as of December 31, 2013	278
Accumulated depreciation	757
Accumulated impairments	311
Gross Cost as of December 31, 2013	1,346

In €'000	Soft-ware
Book value as of January 1, 2012	283
Additions	153
Depreciation	(80)
Book value as of December 31, 2012	356
Accumulated depreciation	662
Accumulated impairments	311
Gross Cost as of December 31, 2012	1,329

Software mainly relates to the development of software to customize the loan and lease administration system as well as the software used to manage the rental fleet. These assets are depreciated on a straight line basis over the estimated time of 3 or 5 years respectively. The depreciation expense is recorded in the line "Depreciation other assets" in "Selling and administrative expense" line of the Income statement.

12. ACCOUNTS PAYABLE, ACCRUED EXPENSES AND OTHER

In €'000	**Notes**	**2013**	2012
Accounts payable affiliates	25	2,390	17,615
Accounts payable		8,927	3,895
Income tax payable		6,226	10,206
Derivative contracts	19	3,384	364
Accrued expenses		18,871	16,714
Deferred income		6,051	4,989
Other current liabilities		2,711	6,440
Accounts payable, accrued expenses and other		48,560	60,223

Accounts payable affiliates

Accounts payable affiliates mainly relate to payables to DAF originating from the retail and wholesale financing activities. These accounts payable are generally paid within 30 days.

Accounts payable

The accounts payable mainly relate to payables to dealers. The average payment term is 30 days.

Accrued expenses

Accrued expenses relate to costs for this year, which will be invoiced by the supplier in the next year.

Deferred income

Deferred income mainly relates to the differences between the payment schedule and straight line recognition of revenue for operating leases.

Other current liabilities

Other current liabilities include customer deposits and guarantor deposits for an amount of €1,812 (2012: €1,793). Customer deposits relate to amounts received from customers as collateral for the outstanding lease receivables. These customer deposits have to be repaid to the customers when the customers have fulfilled all their obligations under the lease agreements. Also included in other current liabilities are “Other taxes”.

Guarantor deposits relate to differences between market value and the guaranteed residual value. These differences have been deposited by the guarantor.

13. COMMERCIAL PAPER, BANK LOANS AND OTHER SHORT TERM DEBT

In €’000	**Notes**	**2013**	2012
Short-term advances from affiliates	25	-	4,830
Commercial paper		548,072	638,319
Commercial paper, bank loans and other short-term debt		548,072	643,149

Commercial paper

Since 2001 PACCAR Financial Europe BV has maintained a commercial paper program. In 2009 PACCAR Financial Plc was named as an issuer under the program.

The main terms of the program are:

- Tenors of 1 to 183 days; Interest rates are based on money market rates prevailing at the issue date for the specific term of the note.
- Investment rating of P-1 by Moody’s Investors Services, Inc. and A-1 by Standard & Poor’s rating Services.
- A keep-well agreement from PACCAR Inc.

As of December 31, 2013 and 2012, the carrying amounts of the outstanding notes under the commercial paper program were as follows:

	2013			2012		
Currency	*Amount (in €’000)*	*Effective interest rate*	*Weighted average number of days to repayment in 2014*	*Amount (in €’000)*	*Effective interest rate*	*Weighted average number of days to repayment in 2013*
Euro denominated	229,467	0.15%	31	376,000	0.05%	23
GBP denominated	318,605	0.43%	10	239,580	0.40%	20
USD denominated	-	-	-	22,739	0.27%	19
Total	548,072	0.32%	24	638,319	0.19%	23

The effective interest rates are the weighted average interest rates as of December 31, 2013 and December 31, 2012, respectively.

14. TERM DEBT

In €'000		**2013**	2012
Long term advances	25	90,953	94,747
Euro Medium Term Notes		1,083,303	787,019
Term debt		1,174,256	881,766

Euro Medium Term Notes
Since September 10, 2004, PACCAR Financial Europe BV has maintained a Euro Medium Term Note program. All notes outstanding as of December 31, 2013 are listed on the London Stock Exchange.

Terms of the Euro Medium term Note program include:

- Issuance tenors of 9 months to 10 years; actual issuances to date have generally been three to five years;
- Investment rating of A-1 by Moody's Investors Services Inc and A+ by Standard & Poor's Rating Services;
- Fixed or variable interest rates. The variable interest rate that resets every 3 months is based on three months EURIBOR or three months LIBOR, depending on the denomination of the notes.
- A keep-well agreement from PACCAR Inc.

As of December 31, 2013 and 2012, the carrying amounts of the outstanding notes under the Euro Medium Term Notes program were as follows:

	2013			2012		
Currency	*Amount (in €'000)*	*Effective interest rate*	*Weighted average number of months to repayment*	*Amount (in €'000)*	*Effective interest rate*	*Weighted average number of months to repayment*
Euro denominated	1,001,810	2.19%	11	704,216	2.27%	24
CHF denominated	81,493	2.43%	38	82,803	2.43%	50
Due within one year	300,594			-		
Due after one year	782,709			787,019		

The effective interest rates are the weighted average interest rates including the effect of hedging instruments as of December 31, 2013 and December 31, 2012, respectively.

Included in the Euro denominated debt at December 31, 2013 is a fixed rate debt with a notional amount of €600 million (2012: €600 million). At inception €400 million was designated as a hedged item in a fair value hedge. Certain hedges were discontinued. As of December 31, 2013 the remaining unamortized amount was €1,810 (2012: €4,216) which will be amortized over the remaining life time of the debt (see notes 19 and 21).

15. OTHER NON-CURRENT LIABILITIES

In €'000	Notes	2013	2012
Accounts payable affiliates	25	3,448	3,746
Deferred income	12	6,144	5,440
Derivative contracts	19	21,368	29,369
Other non-current liabilities	12	2,914	2,297
Other non-current liabilities		33,874	40,852

16. SHAREHOLDER'S EQUITY

Paid-in capital
As of December 31, 2013 and 2012, 130,000 ordinary shares at €100 nominal value were authorized, issued and outstanding. In 2013 no changes in the available-to-issue capital occurred.

Additional paid-in capital
No additional paid in capital has been paid in cash in 2013 and 2012.

Foreign currency translation
The foreign currency translation account is used to record exchange rate differences which arise from the translation of the net investments in foreign subsidiaries.

Accumulated fair value changes of financial instruments
The 2013 addition to the cash flow hedges through equity is €(5,477) (2012: €4,571) and the release is €60 (2012: €617). The release is recorded in the interest expense line in the income statement.

As of December 31, 2013, the fair value changes of financial instruments were net of deferred income tax for an amount of €1,963 (2012: €3,716). The loss in 2013 on cash flow hedges, recognized to equity were net of deferred income tax of €1,753 (2012 gain: €1,252).

Net income
Net income is fully attributable to PACCAR Holding BV, the parent of the Company.

17. LEASES

The Company leases certain equipment under operating leases as a lessee. The lease expenses for the transportation equipment in the rental business are recognized in the period the expenses occur and recorded under lease expenses rental fleet in the "Other operating expenses" line of the income statement. Furthermore the Company leases facilities in Germany for the rental business and a number of company cars. These lease expenses are recognized in the period the expenses occur and recorded under "Other expense" in the "Selling and administrative expense" line of the income statement.

Annual minimum lease rental payments under non-cancellable operating leases are as follows.

Term	**2013**	2012
< 1 year	857	873
2 – 5 years	681	908
Total	1,538	1,781

There are no restrictions placed upon the Company by entering into these leases and there are no purchase or renewal obligations included in these leases. The amount of lease payments that are recognized as an expense for 2013 is €1,064 (2012: €976).

18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Interest rate risk

The Company is exposed to changes in interest rates. The Company uses derivative contracts to match the interest conditions of funding with the interest conditions of receivables arising from the retail and wholesale finance business. The Company uses fair value hedge accounting to swap fixed rate Euro Medium Term Notes to a floating rate and cash flow hedge accounting to swap variable interest rates to a fixed interest rate. See note 19 for information on hedging activities.

The Company provides funding for PACCAR Financial Plc, a wholly owned U.K. subsidiary whose functional currency is GBP. For the management of the foreign currency and interest rate risks, PACCAR Financial Plc enters into interest rate swaps and cross currency swaps with respect to the intercompany funding. In 2012 the Company entered into a USD loan with PACCAR Financial Corp. and a loan in CHF. To manage the currency risk the Company enters into cross currency swaps.

The Company estimates the amount by which the fair value of interest rate sensitive assets and liabilities, including derivative financial instruments, would change assuming an immediate 100 basis points (“bps”) increase or decrease across the yield curve as shown below.

	2013		2012	
In €’000	100 bps increase	100 bps decrease	100 bps increase	100 bps decrease
Assets				
Retail finance & wholesale receivables	(19,298)	20,138	(20,536)	21,469
Derivatives	1,266	(1,309)	(64)	66
Liabilities				
Debt	5,508	(5,610)	7,397	(7,754)
Derivatives	7,416	(7,596)	11,267	(11,574)
	(5,108)	5,623	(1,936)	2,207

The effect on shareholder’s equity of a 100 bps increase is an increase of €8,660 (2012: €11,128) and the effect on the income statement is an income of €22 (2012: €139). The effect on shareholder’s equity of a

100 bps decrease is a decrease of €(8,884) (2012: €(11,432)) and the effect on the income statement is an expense of €22 (2012: €142). The income tax effect is not taken into account in these numbers.

Based on the interest re-pricing periods, the interest earning assets and interest bearing liabilities can be detailed as follows:

As of December 31, 2013 *(in €'000)*	Within 1 year	1-5 years	> 5 years	Total
Assets				
Fixed rate finance lease	337,183	628,712	15,453	981,348
Fixed rate operating lease	228,847	292,689	855	522,391
Variable rate finance lease	17,232	-	-	17,232
Wholesale receivables	500,853	-	-	500,853
Cash and cash equivalents	10,799	-	-	10,799
Total of interest earning assets	1,094,914	921,401	16,308	2,032,623
Liabilities				
Term debt	(314,400)	(767,093)	-	(1,081,493)
Commercial paper	(548,072)	-	-	(548,072)
Long term loans affiliates	-	(90,954)	-	(90,954)
Total of interest bearing liabilities	(862,472)	(858,047)	-	(1,720,519)
Gross gap	232,442	63,354	16,308	312,104
Effect of derivative contracts	404,837	(397,006)	(7,831)	-
Net gap	637,279	(333,652)	8,477	312,104

As of December 31, 2012 *(in €'000)*	Within 1 year	1-5 years	> 5 years	Total
Assets				
Fixed rate finance lease	301,612	611,340	16,602	929,554
Fixed rate operating lease	190,042	303,874	537	494,453
Variable rate finance lease	19,000	-	-	19,000
Wholesale receivables	376,824	-	-	376,824
Cash and cash equivalents	13,819	-	-	13,819
Total of interest earning assets	901,297	915,214	17,139	1,833,650
Liabilities				
Term debt	(14,400)	(768,402)	-	(782,802)
Commercial paper	(638,319)	-	-	(638,319)
Long term loans affiliates	-	(94,747)	-	(94,747)
Short loans affiliates	(4,830)	-	-	(4,830)
Total of interest bearing liabilities	(657,549)	(863,149)	-	(1,520,698)
Gross gap	243,748	52,065	17,139	312,952
Effect of derivative contracts	271,197	(271,197)	-	-
Net gap	514,945	(219,132)	17,139	312,952

The interest on floating rate financial instruments is generally re-priced at intervals less than one year. Trade and other receivables, accounts payable affiliates and trade and other payables are not directly exposed to interest rate risk. The presentation of the interest rate exposure shows the net gap as being the part of the interest bearing assets funded by equity and non-interest bearing liabilities.

Foreign currency risk

The Company is exposed to changes in foreign currency rates on the cash flows of its assets and debt in non-functional currency. The Company uses derivative contracts to convert the currency used in funding into the functional currency (see note 19). The following table summarizes the impact on the Company balance sheet of a 10% strengthening of the GBP, USD, CHF and PLN exchange rate on the measurement of assets and liabilities at year-end which are denominated in these currencies.

As of December 31, 2013 (in €'000)	**2013**	2012
Assets in foreign currency	94,837	75,396
Liabilities in foreign currency	(84,156)	(66,086)
	10,681	9,310
Foreign currency translation - equity	(10,434)	(9,172)
Effect on income before income taxes	247	138

A 10% exchange rate change is assumed to be a realistic possibility.

Capital resources and liquidity risk

The Company defines capital as the total equity of the group and manages it in total. The capital is monitored on the basis of a leverage ratio, that is, the ratio of debt to equity. The Company is not subject to externally imposed capital requirements or to any direct financial covenants.

The Company funds its financing activities through a €1.25 billion Commercial Paper (CP) program, a €1.5 billion Euro Medium Term Note Program (EMTN) and loans from other PACCAR group companies.

The Company is exposed to liquidity risk from the potential limited market availability of funds at the time of repayment of short-term and long-term debt. This risk is mitigated by overdraft and credit facilities. The Company participates with other PACCAR affiliates in USD 3 billion of credit facilities, composed of a 364-day facility, a three-year facility and a five-year facility. The Company did not use these credit facilities for the years ended December 31, 2013 and December 31, 2012. These overdraft and credit facilities and PACCAR's consolidated cash provide back-up liquidity for the Company's short-term borrowings. The Company is liable only for its own borrowings under these credit facilities.

The table below summarizes the maturity profile of the Company's liabilities based on contractual undiscounted repayment obligations.

As of December 31, 2013 (in €'000)	Within 1 year	within 1 to 5 years	> 5 years	Total Undiscounted 2013	Carrying amount 2013
Non derivative financial liabilities					
Accounts payable, accrued expenses and other	21,400	-	-	21,400	42,788
Commercial paper, bank loans and other short term debt	548,174	-	-	548,174	548,072
Term debt	311,570	790,315	-	1,101,885	1,083,303
Loans from affiliates	3,559	102,083	106	105,748	96,793
Other non-current liabilities	-	12,110	-	12,110	15,328
	884,703	904,508	106	1,789,317	1,786,284
Derivative financial assets and liabilities					
Derivatives	9,437	10,256	61	19,754	19,240
	894,140	914,764	167	1,809,071	1,805,524

As of December 31, 2012 (in €'000)	Within 1 year	within 1 to 5 years	> 5 years	Total Undiscounted 2012	Carrying amount 2012
Non derivative financial liabilities					
Accounts payable, accrued expenses and other	20,979	-	-	20,979	42,567
Commercial paper, bank loans and other short term debt	638,388	-	-	638,388	638,319
Term debt	16,357	798,895	-	815,252	787,018
Loans from affiliates	23,625	105,151	99	128,875	120,938
Other non-current liabilities	-	12,740	-	12,740	15,881
	699,349	916,786	99	1,616,234	1,604,723
Derivative financial assets and liabilities					
Derivatives	7,749	13,990	28	21,767	27,333
	707,098	930,776	127	1,638,001	1,632,056

The disclosed financial derivative instruments in the tables above are the net undiscounted cash flows. The gross and net amounts are shown in the tables below:

As of December 31, 2013 (in €'000)	Within 1 year	within 1 to 5 years	> 5 years	Total Undiscounted
Inflows	11,803	13,240	27	25,070
Outflows	(21,240)	(23,496)	(88)	(44,824)
Net	(9,437)	(10,256)	(61)	(19,754)

As of December 31, 2012 (in €'000)	Within 1 year	within 1 to 5 years	> 5 Years	Total Undiscounted
Inflows	11,187	18,478	2	29,667
Outflows	(18,936)	(32,468)	(30)	(51,434)
Net	(7,749)	(13,990)	(28)	(21,767)

Credit risk

The Company takes on exposure to credit risk, which is the risk that a counterparty will be unable to repay amounts in full when due.

Management of credit risk

Within the Company a separate credit function manages the credit risk. The credit officers of the Company are independent of the business originators. Credit policies, procedures and risk analysis tools set the framework for the credit function to ensure a consistent approach towards the process of risk analysis and the credit decision.

The Company performs systematic risk analysis prior to taking any credit risk decision, with the aim of identifying, measuring and evaluating the risk. The credit risk analysis and evaluation focus on three types of risk: the customer, the asset to be financed and the requested structure of the collateralized financial transaction. Various elements of these risk areas are measured in transactional credit quality scorecards and rated into categories of lower than average risk, average risk or higher than average risk. On a periodic basis, using the transaction quality rating from the score cards, the credit quality of both new contracts entered into, as well as of the total portfolio, is evaluated against credit mix targets, general market development, credit losses incurred and past dues.

Concentrations of risks

Inherent to being the captive finance company of a truck manufacturer, the Company's portfolio is concentrated primarily in the truck transportation industry. This concentration risk is mitigated by the knowledge of the residual value development of the trucks and the access the Company has through DAF and its dealer network and public and private auctions to remarket trucks and trailers in case of repossession.

Financing is done generally based on the retention of legal ownership of the underlying assets until the contractual obligations are completely fulfilled by the dealer or customer. This significantly protects the Company from a full loss on unpaid balances as the realizable value of the assets reduces the credit risk.

However a risk remains that the value of the underlying equipment will not be sufficient to recover the amounts owed to the Company resulting in credit losses. The company includes credit enhancement instruments such as personal or company guarantees issued by the customer or 3rd parties in evaluating the credit risk. There are no significant risks or counterparty concentrations within the credit enhancements accepted.

The company generally does not have the right to sell or re-pledge the equipment financed or credit enhancement instruments in absence of default of the customer.

Retail finance receivables

The maximum credit exposure for retail receivables before taking account of collateral at December 31, 2013 was €1,216 million (2012: €1,192 million).

For retail finance receivables the two types of financial products offered are finance leases and operating leases. Although the operational risk is different, the credit risk of these product types is similar. For customers with a low credit risk profile the Company does not limit the type of financial product it offers. For customers with a higher risk profile this may be of relevance to the credit decision, depending on the individual case. As a result the credit exposure of the retail finance portfolio is analyzed with financial leases and operating leases combined.

In retail finance, customers are mainly involved in all segments of the truck transportation industry and include small owner operators to large international truck fleet enterprises. Based on the experience and knowledge of the industry, the Company understands both the operational risks and the critical success factors of companies that are operating in these segments.

The Company is not significantly exposed to any customer concentration in the retail finance portfolio. As of December 31, 2013 the top ten customers represented 11.7% (2012: 14.4%) of the total portfolio with no single customer representing more than 2.0% (2012: 2.2%) of the retail portfolio.

Portfolio credit quality

To measure the credit quality of the retail finance portfolio, the Company uses an internal developed credit scoring methodology. There is no external rating available that would reliably compare with the Company's credit score methodology.

Based on the methodology, the portfolio credit quality for retail finance receivables is measured in percentages per risk category as per the table below:

	2013	2012
Risk Category	Portfolio at year-end	Portfolio at year-end
Lower than Average Risk	36%	34%
Average Risk	56%	58%
Higher than Average Risk	8%	8%

Wholesale receivables
The maximum credit exposure for wholesale receivables before taking account of collateral was €491,452 (2012: €376,824).

Both DAF and the Company have well established and longstanding relationships with the dealers. On the basis of regular dealer reviews and frequent dealer contacts the Company has up-to-date information about operational and financial performance of the individual dealers.

Wholesale finance receivables are mainly on new trucks and are typically limited to a 180 day period. The average number of days for outstanding receivables is 63 days (2012: 69 days).

Portfolio credit quality
To measure the credit quality of the wholesale dealers a dealer score is used. There is no external rating available that would reliably compare with the Company's credit score methodology. This score includes the affiliated dealers.

Risk Category	**2013** Portfolio at year-end	2012 Portfolio at year-end
Lower than Average Risk	13%	16%
Average Risk	57%	59%
Higher than Average Risk	30%	25%

Residual value risks
The Company is exposed to residual value risk. If residual values in the entire operating lease portfolio decrease by 10%, the immediate effect on income is an expense of €2,853 (2012: €1,695). Furthermore the future depreciation of equipment on operating lease over the total remaining life of the portfolio would be €22,827 (2012: €23,843) higher. If residual values in the entire operating lease portfolio increase by 10%, the immediate effect on income is an income of €829 (2012: €638). Furthermore the future depreciation of equipment on operating lease over the total remaining life of the portfolio would be €29,007 (2012: €27,502) lower.

19. FINANCIAL INSTRUMENTS

Fair values
Below is the comparison by category of the carrying amounts and the fair values of all the Company's financial instruments that are not carried in the financial statements at fair value. In all other categories the carrying amount in the Statement of Financial Position equals the fair value because the remaining lifetime is in general shorter than one year.

In €'000	2013 Carrying amount	2013 Fair Value	2012 Carrying amount	2012 Fair Value
Financial assets				
Finance receivables, net	987,853	989,804	933,226	933,831
Financial liabilities				
Euro Medium Term Notes	1,083,303	1,107,157	787,019	798,705

The fair value of financial assets and liabilities are affected by changes in current market interest rates. A decrease in current market interest rates causes the higher fair value of the finance receivables over the carrying amount. The fair value of the financial receivables has been calculated using the expected cash flows, the effective interest rates as of December 31, 2013 and December 31, 2012 respectively which are classified as level 2 under IFRS 13.81 - 85, "Fair value measurements" also taking into account the estimated impairment losses to be incurred. The fair value of the liabilities is the market rate of the Euro Medium Term Notes listed on the London Stock Exchange which classifies as level 2 under IFRS 13.81 - 85, "Fair value measurements" due to low trading volume. Information on the interest rate risks of the company and the sensitivity analysis is included in note 18.

Hedging activities

The fair value of hedging instruments is determined using a valuation model based on the discounted cash flow method. The input for the model consists of market-observable data like EURIBOR and LIBOR yield curves and exchange rates. The trade date is used in accounting for derivatives. All the derivative financial instruments are classified as level 2 under IFRS 13.81 - 85, "Financial Instruments disclosures, fair value measurements".

As of December 31, 2013, the carrying amounts of the derivative contracts were as follows:

In €'000	Long-term assets	Long-term liabilities	Short-term liabilities
Hedging instruments – level 2			
Floating-to-fixed interest rate swaps	83	6,269	1,088
Cross currency swaps	-	8,251	-
At fair value through profit and loss - level 2			
Cross currency swaps	5,428	6,848	2,247
Currency forward contracts	-	-	49
Total	5,511	21,368	3,384

As of December 31, 2012, the carrying amounts were as follows:

In €'000	Long-term assets	Long-term liabilities	Short-term liabilities
Hedging instruments – level 2			
Floating-to-fixed interest rate swaps	-	12,337	80
Cross currency swaps	-	5,233	-
At fair value through profit and loss - level 2			
Cross currency swaps	2,400	11,799	-
Currency forward contracts	-	-	284
Total	2,400	29,369	364

Cash flow hedges
Floating-to-fixed interest rate swaps effectively convert an equivalent amount of commercial paper or variable rate term debt to fixed rate debt matching fixed rate retail finance receivables. As of December 31, 2013, 21 (2012: 18) Euro interest rate swap contracts were outstanding with a notional amount of €454.4 million (2012: €221.8 million), an average remaining term of 23 months (2012: 29) and average fixed Euro interest to be paid of 1.65% (2012: 2.50%). Furthermore as of December 31, 2013, 7 (2012: 7) GBP interest rate swap contracts were outstanding with a notional amount of €59.9 million (2012: €59.4 million), an average remaining term of 16 months (2012: 22 months) and fixed GBP interest to be paid of 2.30% (2012: 2.30%). The floating-to-fixed interest rate swaps are generally settled on a three month basis.

Cross currency swaps are designated to hedge the currency risk of the intercompany funding of a U.K. group company or funding from a non-euro group company. Cross currency swaps are also used to hedge the currency risk of non-euro term debt or variable rate debt in non-Euro currency and also simultaneously convert floating-to-fixed rate funding, matching fixed rate receivables denominated in Euro. The cross currency swaps are generally settled on a three month basis.

As of December 31, 2013 the Company had the following cross currency swaps:

Nature of swap	Notional Amount in €'000	Average interest pay side	average FX rate	average remaining term in months
EUR/GBP	372,000	2.24%	€/£0.83	22
CHF/EUR	82,871	2.43%	CHF/€0.83	38
USD/EUR	55,000	0.53%	$/€0.80	17
USD/GBP	52,803	1.27%	$/£0.65	17

As of December 31, 2012 the Company had the following cross currency swaps:

Nature of swap	Notional Amount in €'000	Average interest pay side	average FX rate	average remaining term in months
EUR/GBP	262,000	2.73%	€/£0.83	26
CHF/EUR	82,871	2.43%	CHF/€0.83	50
USD/EUR	55,000	0.53%	$/€0.80	29
USD/GBP	44,820	1.27%	$/£0.65	29

Fair value hedges
At December 31, 2013 the Company has no (2012: nil) interest rate swap agreements in place to convert the fixed rate interest on term debt into floating interest. The remaining unamortized ineffectiveness for hedges discontinued in 2012 as per December 31, 2013 amounts to €1,216 (2012: €2,063) with a remaining term of 17 months (2012: 29 months). The remaining unamortized base adjustment with hedges terminated in previous periods amounts to €594 (2012: €2,153) with a remaining term of 4 months.

Currency forwards
Currency forward contracts hedge the currency risk of commercial paper and intercompany funding in the non-functional currency of the related company. As of December 31, 2013 the Company had one GBP denominated currency contract (2012: one) with a notional amount of GBP 7,000 (2012: GBP 12,241), and remaining life time of 2 days (2012: 2) and a GBP/€ exchange rate of 1.20 (2012: 1.22), one PLN denominated currency contract (2012: one) with a notional amount of PLN 9,000 (2012: PLN 5,300), and remaining life time of 15 days (2012: 14) and a PLN/€ exchange rate of 0.24 (2012: 0.24) and no USD denominated currency contracts (2012: three).

20. REVENUE

In €'000	**2013**	2012
Revenue from financing	230,809	222,649
Revenue from sale of used trucks	97,771	117,769
Other revenue	2,520	1,845
Total Revenue	331,100	342,263

Included in revenue from financing is €9,014 (2012: €8,699) of interest revenue from affiliates. An amount of €- (2012: €205) of interest income on individually assessed finance lease receivables is included in revenue from financing. In 2013 the Company remarketed 2,598 trucks (2012: 3,300 trucks).

21. INTEREST EXPENSE

In €'000	**2013**	2012
Interest expense commercial paper and term debt	17,498	17,732
Interest expense affiliated PACCAR company debt	1,148	703
Interest expense interest rate derivative contracts	7,530	6,189
Result on derivatives for hedging	(1,912)	1,147
Other, net	2,556	1,893
Interest expense	26,820	27,664

Interest expense includes an amount of €24 (2012: €(15)) relating to exchange rate differences.
The "Result on derivatives for hedging" includes an amount of €nil (2012: €(1)) relating to ineffectiveness arisen from cash flow hedges, the result from amortization of cumulative fair value adjustments on hedged items in discontinued fair value hedges of €1,809 (2012: €(1,872)), the ineffectiveness on fair value hedges of €nil (2012: €749) and the fair value changes relating to derivatives accounted for as financial assets or liabilities at fair value through profit and loss of €(347) (2012: €2,271). Included in "Other, net" are the expenses incurred for credit facilities (see note 18) as well as the amortization of costs of setting up and maintaining the Euro Medium Term Note program.

22. OTHER OPERATING EXPENSES

The other operating expenses relate to the rental of trucks and trailers.

In €'000	**2013**	2012
Leasing expenses rental fleet	252	300
Other vehicle expenses	31,056	30,436
Other operating expenses	31,308	30,736

The "Other vehicle expenses" relate to the operational expenses to in-service and maintain the rental fleet such as the costs of road taxes, repair and maintenance and insurance.

23. SELLING AND ADMINISTRATIVE EXPENSE

In €'000	**Notes**	**2013**	2012
Salaries		6,908	5,473
Pension costs	27	304	188
Social security costs		1,234	911
Other personnel costs		415	394
Depreciation on other assets	10, 11	268	273
Expenses cross charged by affiliated PACCAR companies	25	12,747	13,467
Other expenses		5,911	6,831
Selling and administrative expense		27,787	27,537

24. INCOME TAX EXPENSE

The reconciliation of the income tax expense can be detailed as follows:

In €'000	**2013**	2012
Total income before taxes	34,486	32,579
Income tax expense at statutory income tax rate	8,644	8,145
Effect of various tax rates in foreign operations	1,118	917
Effect of permanent differences	(926)	(754)
Unrecognized deferred tax current year	(573)	373
Prior year adjustments	557	133
Tax audit	369	-
Income tax expense due to deferred income tax rate changes	518	298
Income tax expense at effective income tax rate of 28.1% (2012: 28.0%)	9,707	9,112

The effective tax rate of 28.1% is comparable to the 2012 effective tax rate of 28.0%. The permanent differences in 2013 primarily reflect the notional interest deduction in Belgium. The prior year adjustments relate to differences between the income tax filings and the estimations of those differences in prior years. The expense for the tax audit are related to the tax audit performed at PACCAR Leasing GmbH in 2011.

Deferred tax

The current part of the taxation is €10,480 (2012: €12,688) and the deferred part of the taxation is €(773) (2012: €(3,576)). The movement of the deferred tax assets and liabilities through the income statement is disclosed in the note 9.

25. RELATED PARTY TRANSACTIONS

Related parties of the Company are:

- PACCAR Holding BV
- PACCAR Inc
- PACCAR Financial Corp.
- DAF Trucks NV and its subsidiaries
- Leyland Trucks Ltd.
- PACCAR Trucks (UK) Ltd.
- Key management personnel of the Company

Affiliated PACCAR companies charged the Company for certain administrative services they provide. The costs were charged to the Company on a cost based sharing upon the Company's specific use of the services. Management considers these charges reasonable and not significantly different from the costs that would be incurred if the Company were to operate on a stand-alone basis. The relations of the Company with each of the related parties mentioned above are as follows.

PACCAR Holding BV
PACCAR Holding BV is the sole shareholder of the Company.

PACCAR Inc
PACCAR Inc is the ultimate parent company of the Company. PACCAR Inc has issued keep-well agreements on behalf of the Company's commercial paper and the Euro Medium Term Note programs. PACCAR Inc is the employer of some key managers of the Company (see below). PACCAR Inc has charged €473 (2012: €296) to the Company for information technology and other services incurred on behalf of the Company. These expenses are recognized in the "Selling and administrative expense" in the income statement.

PACCAR Financial Corp.
PACCAR Financial Corp. is the captive finance and lease company of PACCAR Inc in the U.S.A. It provides funding to the Company on both a short-term and medium-term basis when market conditions warrant. For both funding programs, the Company has entered into a loan agreement with PACCAR Financial Corp. The interest and other conditions are determined on an arm's length basis. There is a long term amount outstanding at December 31, 2013 of €90,955 (2012: €94,747). The company paid €1,109 interest expense in 2013 (2012: €645) to PACCAR Financial Corp.

The company paid €1,361 (2012: €1,161) to PACCAR Financial Corp. relating to the maintenance of the term debt programs and the overdraft credit facilities (note 18).

DAF Trucks NV and its subsidiaries
DAF Trucks NV and its subsidiaries are involved with the following aspects of the Company's business.

Wholesale financing
The wholesale financing program is mainly based on the payment terms that DAF Trucks NV extends with its dealers. The main condition is that the first 30 days of interest is paid by DAF. During 2013, DAF Trucks NV and its subsidiaries have assigned receivables for an amount of €2,607,000 (2012: €2,355,341) to the Company. At December 31, 2013 an amount of €22,854 (2012: €10,770) owed to DAF was outstanding. During 2013 €9,201 (2012: €8,699) of interest income was charged to DAF Trucks NV or its subsidiaries related to the wholesale financing.

Retail financing
The Company finances trucks that are sold directly by DAF Trucks NV or its subsidiaries to customers. During 2013 an amount of €73,521 (2012: €101,225) of trucks were purchased from DAF Trucks NV or its subsidiaries, to be leased out.

Used trucks remarketing
The Company sells certain trucks that have returned at the end of leases or that have been repossessed to the used trucks organization of DAF Trucks NV. During 2013 used trucks have been sold to DAF Trucks NV for remarketing for an amount of €7,657 (2012: €23,927). Selling price is principally based on market value.

Personnel and services
The people working for the PACCAR Financial Europe group are primarily employed by DAF Trucks NV or its subsidiaries. DAF Trucks NV and its subsidiaries provide general services, including shared office facilities for the PACCAR Financial Europe group. DAF Trucks NV and its subsidiaries charged €12,274 to the Company in 2013 (2012: €12,657) for the employees and services provided.

Taxes
The Company paid €3,557 income taxes to DAF Trucks NV (2012: €3,078).

Leyland Trucks Ltd.
During 2013 the Company paid Leyland Trucks Ltd €8 (2012: €60) for received services.

PACCAR Trucks (UK) Ltd.
In 2013, the Company repaid the outstanding loan of €4,830 with PACCAR Trucks (U.K.) Ltd. On this loan the Company paid €9 (2012: €43) interest.

Key management personnel of the Company
The members of the Board of Directors of the Company are all employees of PACCAR Inc. The Company was charged €279 (2012: €296) for remuneration costs for the managing director of the Company. These remuneration costs include the short-term employee benefits, estimated post-employment benefits as well as other benefits. For the other members of the Board of Directors no remuneration costs were charged.

26. CASH FLOW STATEMENT

The net cash provided by operating, investing and financing activities includes interest paid for €25,877 (2012: €18,660) and interest received for €58,366 (2012: €62,190). The net cash provided by operating activities includes income tax paid for €10,242 (2012: €12,088) and income tax received for €692 (2012: €4,634).

The movements in the line “Other, net” in the Operating activities can be specified as follows:

In €’000	**2013**	2012
Inventory	5,552	2,970
Payables and other	1,501	(3.346)
Other, net	7,053	(376)

The movement on the group/affiliates receivables relating to wholesale has been recorded in “Net (increase)/ decrease in wholesale receivables”.

27. POST EMPLOYMENT BENEFITS AND CONTINGENT LIABILITIES

The Company has employees in Belgium, Italy, France, Spain and Germany (PacLease only). In the other countries in which the Company operates, the Company uses the services provided by affiliated PACCAR companies. The Company is charged for these services and considers the charges as reasonable.

Long-term employee benefits are expensed as the employees render their services. The cost of providing the long term benefits is determined using the projected unit credit actuarial method.

The post-employment benefits are as follows:

Belgium
PACCAR Financial Belux BVBA employees participate in the PACCAR company's pension plan in Belgium. Under this company pension plan, the employees are entitled to a lump sum payment at the retirement age of 65 depending on the annual salary and the number of years of service.

The pension liabilities are insured with an insurance company. A defined benefit asset of €231 (2012: €263) has been recognized as of December 31, 2013. In 2013 contributions of €(11) (2012: €(53)) were recognized in “Selling and administrative expense” in the income statement.

Italy
PACCAR Financial Italia S.r.l. employee's pensions are covered by the Italian State. The type of employee benefits depends on the number of years of contribution to the state pension plan. Depending on the employees' situation, the pension can be based on the average salary, on the contributions paid or on the combination of these two bases. The Company has no other obligations than payment of the contribution. In 2013 contributions of €194 (2012: €200) were recognized in “Selling and administrative expense” in the income statement.

France
PACCAR Financial France S.A.S. employee's pensions are covered by the French State. The Company has no other obligation than payment of a contribution. In 2013 an amount of €76 (2012: €40) was recognized in “Selling and administrative expense” in the income statement.

Depending on their function, some employees are entitled to an indemnity payment when they leave the Company. The indemnity payment is based on the number of years of service and the average salary in the year of leaving the Company. In 2013 an amount of €35 (2012: €30) was recognized in “Selling and administrative expense” in the income statement for these future indemnity payments.

Spain
As of October 1, 2012 PACCAR Financial España S.r.l. became employer. PACCAR Financial España employee's pensions are covered by the Spanish State. The Company has no other obligation than payment of a contribution. In 2013 an amount of €161 (2012: €144) was paid to the Spanish State for pension, social security and health assistance which was recognized in “Selling and administrative expense” in the income statement.

Germany – PACCAR Financial Deutschland GmbH
Since January 1, 2013 PACCAR Financial Deutschland GmbH employs its own employees. The average number of employees employed during the financial year is 17. In the financial year 2012, PACCAR Financial Deutschland GmbH itself did not employ any employees, they were leased by DAF Trucks Deutschland GmbH. The average number of leased employees in 2012 was 16.

PACCAR Financial Deutschland GmbH employees participate in the PACCAR company's pension plan in Germany. Under this company pension plan, the employees are entitled to a lump sum payment at the retirement age of 65 depending on the annual salary and the number of years of service.

The pension liabilities are insured with an insurance company. A defined benefit liability of €70 (2012: €0) has been recognized as of December 31, 2013. In 2013 contributions of €111 (2012: €0) were recognized in "Selling and administrative expense" in the income statement.

Germany – PACCAR Leasing GmbH
PACCAR Leasing GmbH employee's pensions are covered by the German State. The Company has no obligations with respect to the employee's pensions and hence no expenses were incurred in 2013 and 2012.

The Company did not have contingent liabilities at the end of 2013 nor at the end of 2012.

28. EVENTS AFTER THE REPORTING PERIOD

Events after the reporting period that relate to conditions that existed at the end of the reporting period have been included in these financial statements.

CORPORATE BALANCE SHEET AS
OF DECEMBER 31, 2013
(before appropriation of net result)

In €'000

ASSETS	**Notes**	**2013**	2012
Non-current assets			
Financial fixed assets	3	1,047,192	820,795
Current assets			
Other current assets	4	928,673	891,246
Cash and cash equivalents		589	10,201
Total Assets		**1,976,454**	**1,722,242**

EQUITY AND LIABILITIES			
Shareholder's equity			
Paid-in capital	5	13,000	13,000
Additional paid-in capital	5	224,046	224,046
Foreign currency translation	5	(13,358)	(11,689)
Accumulated fair value changes of financial instruments	5	(5,810)	(11,347)
Retained earnings previous years	5	64,182	40,715
Net income	5	24,779	23,467
Total Equity		**306,839**	**278,192**
Long-term debt and other non-current liabilities	6	1,147,185	854,684
Short-term debt	7	522,430	589,366
Total Liabilities		**1,669,615**	**1,444,050**
Total Equity and Liabilities		**1,976,454**	**1,722,242**

Signed
R.E. Armstrong, R.A. Bengston, G.J.B. Bas, Directors PACCAR Financial Europe BV

April 7, 2014

CORPORATE INCOME STATEMENT - 2013

In €'000	**Notes**	**Year ended December 31**	
		2013	2012
Net income after income taxes from investments in consolidated group companies		26,651	23,636
Other income and expenses after income taxes		(1,872)	(169)
Net income		**24,779**	**23,467**

Signed
R. E. Armstrong, R. A. Bengston, G.J.B. Bas, Directors PACCAR Financial Europe BV

April 7, 2014

NOTES TO THE CORPORATE BALANCE SHEET AND CORPORATE INCOME STATEMENT - 2013

(in thousands of Euros)

1. GENERAL NOTES

The corporate financial statements of PACCAR Financial Europe BV have been prepared in accordance with Part 9 Chapter 2 of the Netherlands Civil Code applying in its corporate financial statements the accounting principles as adopted in the consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements were prepared in accordance with Dutch statutory provisions and regulations. The financial statements are presented in accordance with the provisions of Section 362(8) of Part 9 of Book 2 of the Dutch Civil Code, which stipulates the application of consistent accounting policies in the company and consolidated financial statements except for the accounting policies stated below. For the summary of the significant accounting policies refer to note 2 to the consolidated financial statements.

Investments in group companies

The investments in group companies only refer to the investment in PACCAR Financial Holdings Europe BV. The investment in PACCAR Financial Holdings Europe BV is accounted for at net asset value. The list of group companies can be found in note 2 to the consolidated financial statements.

Accounts receivable group companies and other

Accounts receivable group companies and other are initially measured at fair value, being the consideration given. Subsequently the advances to group companies are measured at amortized cost.

3. FINANCIAL FIXED ASSETS

As of December 31 (in €'000)	**2013**	2012
Investments in group companies	193,461	166,207
Long-term advances to group companies	849,564	649,564
Deferred income tax assets non-current	4,167	5,024
Financial fixed assets	1,047,192	820,795

The movement in the investments in group companies is as follows:

In €'000	**2013**	2012
Book value as of January 1	166,207	141,005
Foreign currency translation differences	(1,669)	1,932
Accumulated fair value changes financial instruments	2,272	(366)
Income/ (Loss) on investments in group companies	26,651	23,636
Book value as of December 31	193,461	166,207

The accumulative fair value changes for financial instruments result from the accounting for derivative instruments held by PACCAR Financial Plc in the United Kingdom.

The movement in the other items of the financial fixed assets is as follows:

In €'000	Long-term advances to group companies
Book value as of January 1, 2013	649,564
Increases	334,250
Redemptions	(134,250)
Book value as of December 31, 2013	849,564

The long term advances to group companies in 2013 and 2012 were Euro denominated. At December 31, 2013, all long-term advances to group companies had a remaining term of more than one year. The interest rate of the long-term advances to group companies was fixed for a period equaling the average maturity dates of the retail portfolio of the related group company. As of December 31, 2013 the average interest rate was 2.51% (2012: 2.46%).

In €'000	Deferred income tax assets
Book value as of January 1, 2013	5,024
Movement of temporary differences	(857)
Book value as of December 31, 2013	4,167

4. OTHER CURRENT ASSETS

As of December 31 (in €'000)	**2013**	2012
Short-term advances to group companies	926,283	888,403
Prepaid expenses and other	2,390	2,843
Other current assets	928,673	891,246

The short-term advances to group companies include advances denominated in GBP (2013: GBP 226,527; 2012: GBP 149,528), and PLN (2013: PLN 10,222; 2012: PLN 5,378). The advances to group companies are interest bearing with a monthly floating interest rate. At December 31, 2013, all short-term advances to group companies had a remaining term shorter than one year.

The movement in the other items of the current assets is as follows:

In €'000	Short-term advances to group companies
Book value as of January 1, 2013	888,403
Increases	1,666,601
Redemptions	(1,666,807)
Interest	20,657
Foreign currency translation differences	17,429
Book value as of December 31, 2013	926,283

5. EQUITY

Issued capital

As of December 31, 2013 and 2012 130,000 ordinary shares at €100 nominal value were authorized, issued and outstanding. The movement in the components of equity is as follows:

In €'000	Paid-in capital	Additional paid-in capital	Foreign currency translation	Accumulated fair value changes financial instruments	Retained earnings previous years	Net (loss)/ income	**Total**
As of December 31, 2011	13,000	224,046	(13,621)	(7,393)	20,744	19,971	256,747
Currency translation differences			1,932				1,932
Loss on cash flow hedges recognized directly into equity, net				(3,954)			(3,954)
Total income/ (loss) recognized directly into equity			1,932	(3,954)			(2,022)
Net income for the year						23,467	23,467
Total income/ (loss)			1,932	(3,954)		23,467	21,445
Appropriation of net income					19,971	(19,971)	-
As of December 31, 2012	13,000	224,046	(11,689)	(11,347)	40,715	23,467	278,192

In €'000	Paid-in capital	Additional paid-in capital	Foreign currency translation	Accumulated fair value changes financial instruments	Retained earnings previous years	Net income/ (loss)	**Total**
As of December 31, 2012	13,000	224,046	(11,689)	(11,347)	40,715	23,467	278,192
Currency translation differences			(1,669)				(1,669)
Loss on cash flow hedges recognized directly into equity, net				5,537			5,537
Total income/ (loss) recognized directly into equity			(1,669)	5,537			3,868
Net income for the year						24,779	24,779
Total income/ (loss)			(1,669)	5,537		24,779	28,647
Appropriation of net income					23,467	(23,467)	-
As of December 31, 2013	13,000	224,046	(13,358)	(5,810)	64,182	24,779	306,839

The reserve for accumulated fair value changes in financial instruments, revaluation reserve derivative assets and the foreign currency translation reserve are legally required reserves and as such undistributable.

6. LONG-TERM DEBT AND OTHER NON-CURRENT LIABILITIES

As of December 31 (in €'000)	**2013**	2012
Term debt, non-current part	1,083,303	787,019
Long term advances	50,025	52,110
Derivative contracts	13,848	15,555
Deferred tax liabilities	9	-
Long-term debt and other non-current liabilities	1,147,185	854,684

Euro Medium Term Notes

Since September 10, 2004, PACCAR Financial Europe BV has maintained a Euro Medium Term Note program. All notes outstanding as of December 31, 2013 are listed on the London Stock Exchange.

Terms of the Medium term note program include:

- Issuance tenors of 9 months to 10 years; actual issuances to date have generally been three to five years;
- Investment rating of A-1 by Moody's Investors Services and A+ by Standard & Poor's Rating Services;
- Fixed or Variable interest rates. The variable interest rate that resets every 3 months is based on three months EURIBOR or three months LIBOR, depending on the denomination of the notes.
- A keep-well agreement from PACCAR Inc.

The Company is not subject to externally imposed capital requirements nor to any direct financial covenants.

As of December 31, 2013 and 2012, the carrying amounts of the outstanding notes under the Euro Medium Term Notes program were as follows:

	2013			2012		
Currency	*Amount (in €'000)*	*Effective interest rate*	*Weighted average number of months to repayment*	*Amount (in €'000)*	*Effective interest rate*	*Weighted average number of months to repayment*
Euro denominated	1,001,810	2.19%	11	704,216	2.27%	24
CHF denominated	81,493	2.43%	38	82,803	2.43%	50
Due within one year	300,594			-		
Due after one year	782,709			787,019		

The effective interest rates are the weighted average interest rates as of December 31, 2013 and December 31, 2012, respectively.

Included in the Euro denominated debt at December 31, 2013 is a fixed rate debt with a notional amount of €600 million (2012: €600 million). At inception €400 million was designated as a hedged item in a fair value hedge and therefore measured at fair value. Certain hedges were discontinued in 2012 and 2013 respectively, leaving a total accumulated fair value adjustment of €4,228 and €2,327 respectively to be amortized over the remaining life time of the debt (see notes 19 and 21). As per the end of 2013 the remaining unamortized amount was €1,810 (2012: €4,216).

Derivative contracts

As of December 31, 2013, there were 21 Euro interest rate swap contracts outstanding with a notional amount of €454,400 million and an average term of 23.0 months, one USD cross currency swap contract with a notional amount of €55,000 and a remaining term of 17.1 months and two CHF cross currency swap contract with a notional amount of €82,871 and a remaining term of 38.2 months.

7. SHORT-TERM DEBT

As of December 31 (in €'000)	**2013**	2012
Commercial paper	494,500	577,370
Short-term payables to group companies	16,903	-
Accounts payable affiliates	42	308
Derivative contracts	871	323
Income tax payable	(173)	1,076
Accrued interest	10,290	10,228
Other	(3)	61
Short-term debt	522,430	589,364

Commercial paper

Since 2001 PACCAR Financial Europe BV has maintained a commercial paper program. The main terms of the program are:

- Tenors of 1 to 183 days; Interest rates are based on money market rates prevailing at the issue date for the specific term of the note.
- Investment rating of P-1 by Moody's Investors Services, Inc. and A-1 by Standard & Poor's rating Services.
- A keep-well agreement from PACCAR Inc.

As of December 31, 2013 and 2012, the carrying amounts of the outstanding notes under the commercial paper program were as follows:

	2013			2012		
Currency	*Amount (in €'000)*	*Effective interest rate*	*Weighted average number of days to repayment in 2013*	*Amount (in €'000)*	*Effective interest rate*	*Weighted average number of days to repayment in 2013*
Euro denominated	229,500	0,15%	31	376,000	0.05%	23
GBP denominated	265,000	0.43%	10	178,634	0.40%	8
USD denominated	-	-	-	22,736	0.27%	19
Total	494,500	0.30%	20	577,370	0.17%	20

The effective interest rates are the weighted average interest rates as of December 31, 2013 and December 31, 2012, respectively.

Derivative contracts

As of December 31, 2013, there were six EUR interest rate swap contracts outstanding with a notional amount of €74,900 and a remaining term of 5.3 months. As of December 31, 2013 the Company had no GBP denominated currency contract (2012: one with a notional amount of GBP 12,241 and remaining life time of 2 days and a GBP/€ exchange rate of 1.22), no PLN denominated currency contract (2012: one with a notional amount of PLN 5,300 and remaining life time of 14 days and a PLN/€ exchange rate of 0.24), no USD denominated currency contracts (2012: three with a notional amount of USD 30,250, and an average remaining life time of 19 days and a USD/€ exchange rate of 0.76).

8. GUARANTEES AND OTHER FINANCIAL COMMITMENTS

The Company has issued a statement of liability as referred to in article 2:403 of the Netherlands Civil Code for PACCAR Financial Holdings Europe BV, PACCAR Financial Nederland BV and for PACCAR Financial Services Europe BV.

The Company has issued a letter of comfort to ING Bank with respect to PACCAR Financial Belux BVBA.

9. OTHER DISCLOSURES

Employees
The Company has no employees.

Remuneration directors
No remuneration has been paid in 2013 to current or former directors.

Auditor’s fees
In 2013 an amount of €358 (2012: €312) was recorded for auditor’s fees.

List of capital investments

Consolidated companies

The list of group companies can be found in note 2 to the consolidated financial statements.

With respect to PACCAR Financial Holdings Europe BV, PACCAR Financial Nederland BV and PACCAR Financial Services Europe BV the exemption for group companies has been applied based on article 2:403 of the Netherlands Civil Code. Based on this, the legal requirements for the financial statements are not applicable for these companies.

INFORMATION SUPPLEMENTING THE FINANCIAL STATEMENTS

Articles-of-association rules concerning result appropriation

The rules for net income appropriation have been arranged in article 19 of the articles-of-association. This article states that the net income is at free disposal of the shareholder's meeting. Pay out of net income is only allowed as far as the equity exceeds the issued capital increased with reserves that are legally required.

Net income appropriation 2013

The proposal to the shareholder's meeting is to add the net income for the period ended December 31, 2013 to the retained earnings of previous years.

INDEPENDENT AUDITOR'S REPORT

To: Assembly of Shareholders of
PACCAR Financial Europe BV

Report on the financial statements

We have audited the accompanying financial statements 2013 of PACCAR Financial Europe BV, Eindhoven. The financial statements include the consolidated financial statements and the corporate financial statements. The consolidated financial statements comprise the consolidated statement of financial position as at December 31, 2013, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of the significant accounting policies and other explanatory information. The corporate financial statements comprise the corporate balance sheet as at December 31, 2013, the corporate income statement for the year then ended and the notes, comprising a summary of the accounting policies and other explanatory information.

Management's responsibility
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the financial review by management in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion with respect to the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position of PACCAR Financial Europe BV as at December 31, 2013, its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code.

Opinion with respect to the corporate financial statements
In our opinion, the corporate financial statements give a true and fair view of the financial position of PACCAR Financial Europe BV as at December 31, 2013 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under Section 2:393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the financial review by management, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2:392 sub 1 at b-h has been annexed. Further we report that the financial review by management, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Dutch Civil Code.

Eindhoven, April 7, 2014

Ernst & Young Accountants LLP

signed by N.A.J. Silverentand