

BASE PROSPECTUS



**PACCAR FINANCIAL EUROPE B.V.**

*(incorporated with limited liability in The Netherlands and having its corporate seat at Eindhoven)*

**PACCAR FINANCIAL PLC**

*(incorporated with limited liability in England and Wales)*

with the benefit of Keep Well Agreements with



*(incorporated with limited liability under the laws of Delaware)*

**€1,500,000,000**

**Euro Medium Term Note Programme**

This Base Prospectus has been approved by the United Kingdom Financial Services Authority (the "FSA"), which is the United Kingdom competent authority for the purposes of Directive 2003/71/EC (the "**Prospectus Directive**") and relevant implementing measures in the United Kingdom, as a base prospectus issued in compliance with the Prospectus Directive and relevant implementing measures in the United Kingdom for the purpose of giving information with regard to the issue of medium term notes and/or other debt instruments ("**Notes**") under the debt issuance programme described herein (the "**Programme**") during the period of 12 months after the date hereof. Applications have been made for such Notes to be admitted during the period of 12 months from the date of this document to listing on the Official List of the FSA (the "**Official List**") and to trading on the Regulated Market of the London Stock Exchange plc (the "**London Stock Exchange**"). The Regulated Market of the London Stock Exchange is a regulated market for the purposes of Directive 2004/39/EC on markets in financial instruments. The Programme also permits Notes to be issued on the basis that they will not be admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system or to be admitted to listing, trading and/or quotation by such other or further competent authorities, stock exchanges and/or quotation systems as may be agreed with the Issuers.

The Notes are not guaranteed by PACCAR Inc ("**PACCAR**") but each of PACCAR Financial Europe B.V. and PACCAR Financial PLC (each an "**Issuer**" and collectively the "**Issuers**") has the benefit of a keep well agreement between each Issuer and PACCAR (the "**Keep Well Agreements**"), see "Keep Well Agreements."

**There are certain risks related to any issue of Notes under the Programme, which investors should ensure they fully understand (see "Risk Factors" on page 10 of this Base Prospectus).**

**Arranger**

**BNP PARIBAS**

**Dealers**

**Barclays Capital**

**HSBC**

**The Royal Bank of Scotland**

**Banco Bilbao Vizcaya Argentaria, S.A.**

**ING Wholesale Banking**

**UBS Investment Bank**

Dated: 12 August 2009

## TABLE OF CONTENTS

Important Notices .....	3
Key Features of the Programme .....	6
Risk Factors .....	10
Information Incorporated by Reference.....	15
Supplemental Prospectus.....	16
Forms of the Notes .....	17
Terms and Conditions of the Notes .....	19
Keep Well Agreements.....	39
Form of Final Terms .....	40
Summary of Provisions Relating to the Notes While in Global Form .....	52
Description of PACCAR Financial Europe B.V. ....	55
Description of PACCAR Financial PLC .....	59
Description of PACCAR.....	61
Taxation .....	68
Subscription and Sale.....	74
General Information .....	76
Financial Statements and Auditors' Reports for PACCAR Financial PLC.....	78

## IMPORTANT NOTICES

Each of the Issuers and PACCAR accept responsibility for the information contained in this document, together with all information incorporated by reference herein, and to the best of the knowledge of each of the Issuers and PACCAR (which have taken all reasonable care to ensure that such is the case), the information contained in this document and all information incorporated by reference herein is in accordance with the facts and contains no omission likely to affect its import.

This Base Prospectus should be read and construed together with any amendments or supplements hereto and with any other information incorporated by reference herein and, in relation to any Tranche (as defined herein) of Notes, should be read and construed together with the relevant Final Terms (as defined herein).

Each Issuer has confirmed to the Dealers named under "Subscription and Sale" below that this Base Prospectus (including, for this purpose, each relevant Final Terms) contains all information with respect to such Issuer, PACCAR and the Programme which is (in the context of the Programme and the issue, offering and sale of the Notes) material; that such information is true and accurate in all material respects and is not misleading in any material respect; that any opinions, predictions or intentions expressed herein on the part of such Issuer are honestly held or made and are not misleading in any material respect in the light of the circumstances under which they are made; that this Base Prospectus does not omit to state any material fact necessary to make such information, opinions, predictions or intentions (in the context of the Programme and the issue, offering and sale of the Notes) not misleading in any material respect; and that all proper enquiries have been made to verify the foregoing.

No person has been authorised to give any information or to make any representation not contained in or not consistent with this Base Prospectus or any other document entered into in relation to the Programme or any information supplied by the Issuers or such other information as is in the public domain and, if given or made, such information or representation should not be relied upon as having been authorised by the Issuers or any Dealer.

No representation or warranty is made or implied by the Dealers or any of their respective affiliates, and neither the Dealers nor any of their respective affiliates makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in this Base Prospectus. Neither the delivery of this Base Prospectus or any Final Terms nor the offering, sale or delivery of any Note shall, in any circumstances, create any implication that the information contained in this Base Prospectus is true or accurate and not misleading subsequent to the date hereof or the date upon which this Base Prospectus has been most recently amended or supplemented or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of the Issuers or of PACCAR since the date thereof or, if later, the date upon which this Base Prospectus has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The distribution of this Base Prospectus and any Final Terms and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Base Prospectus or any Final Terms comes are required by the Issuers and the Dealers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of this Base Prospectus or any Final Terms and other offering material relating to the Notes, see "Subscription and Sale." In particular, the Notes issued under this Programme have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") and include Notes in bearer form that are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to U.S. persons.

Neither this Base Prospectus nor any Final Terms constitutes an offer or an invitation to subscribe for or purchase any Notes and should not be considered as a recommendation by the Issuers, PACCAR, the Dealers or any of them that any recipient of this Base Prospectus or any Final Terms should subscribe for or purchase any Notes. Each recipient of this Base Prospectus or any Final Terms shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuers and of PACCAR.

The maximum aggregate principal amount of Notes outstanding at any one time under the Programme will not exceed €1,500,000,000 (and for this purpose, any Notes denominated in another currency shall be translated into euro at the date of the agreement to issue such Notes (calculated in accordance with the provisions of the Dealer Agreement)). The maximum aggregate principal amount of Notes which may be outstanding at any one time under the Programme may be increased from time to time, subject to compliance with the relevant provisions of the Dealer Agreement as defined under "Subscription and Sale."

In this Base Prospectus, unless otherwise specified, references to "U.S.\$," "U.S. dollars" or "dollars" are to the lawful currency of the United States, references to "£," "GBP" or "sterling" are to the lawful currency of the United Kingdom and references to "€," "EUR" or "euro" are to the single currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty establishing the European Community, as amended.

Certain figures included in this Base Prospectus have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

This Base Prospectus has been prepared on the basis that any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (2003/71/EC) (each, a "Relevant Member State") will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Notes. Accordingly any person making or intending to make an offer in that Relevant Member State of Notes which are the subject of an offering contemplated in this Base Prospectus as completed by Final Terms in relation to the offer of those Notes may only do so in circumstances in which no obligation arises for the relevant Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither the Issuers nor any Dealer have authorised, nor do they authorise, the making of any offer of Notes in circumstances in which an obligation arises for the Issuers or any Dealer to publish or supplement a prospectus for such offer.

**In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the stabilising manager(s) (the "Stabilising Manager(s)") (or persons acting on behalf of any Stabilising Manager(s)) in the applicable Final Terms may over allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail.**

**However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or person(s) acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.**

NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN THIS BASE PROSPECTUS, ALL PERSONS MAY DISCLOSE TO ANY AND ALL PERSONS, WITHOUT LIMITATION OF ANY KIND, THE U.S. FEDERAL, STATE AND LOCAL TAX TREATMENT OF THE NOTES AND THE ISSUERS, ANY FACT THAT MAY BE RELEVANT TO UNDERSTANDING THE U.S. FEDERAL, STATE AND LOCAL TAX TREATMENT OF THE NOTES AND THE ISSUERS AND ALL MATERIALS OF ANY KIND (INCLUDING OPINIONS OR OTHER TAX ANALYSES) RELATING TO SUCH U.S. FEDERAL, STATE AND LOCAL TAX TREATMENT AND THAT MAY BE RELEVANT TO UNDERSTANDING SUCH TAX TREATMENT.

THIS BASE PROSPECTUS IS NOT INTENDED AND WAS NOT WRITTEN TO BE USED, AND CANNOT BE USED, FOR THE PURPOSE OF AVOIDING U.S. FEDERAL, STATE OR LOCAL TAX PENALTIES. THIS BASE PROSPECTUS WAS WRITTEN IN CONNECTION WITH THE PROMOTION OR MARKETING OF THE PROGRAMME. EACH PROSPECTIVE NOTEHOLDER

SHOULD SEEK ADVICE BASED ON ITS PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

## KEY FEATURES OF THE PROGRAMME

*The following description of key features of the Programme does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Base Prospectus and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Final Terms.*

*Words and expressions defined in the "Terms and Conditions of the Notes" below or elsewhere in this Base Prospectus have the same meanings in this description of key features of the programme.*

**Issuers:** PACCAR Financial Europe B.V. ("**PFE**"), a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) incorporated under the laws of The Netherlands on 15 March 2001, having its corporate seat at Eindhoven, is an indirect, wholly owned subsidiary of PACCAR Inc. PFE's principal activity is to obtain funds in the international capital markets and lend such funds to its financing subsidiaries and affiliates.

PACCAR Financial PLC ("**PFP**"), a public limited company incorporated under the laws of England and Wales on 15 February 2001, is an indirect, wholly-owned subsidiary of PFE. PFP's main activities are (i) providing financing to truck operators for the acquisition of DAF commercial vehicles, as well as ancillary equipment, in the form of hire purchase, financial and operational leasing, and contract hire in the United Kingdom; (ii) administering contracts and handling claims for repair and maintenance contracts on DAF vehicles located in the United Kingdom; (iii) issuing and administering residual value guarantees to third party beneficiaries in the United Kingdom; and (iv) providing administrative services to an affiliated company. PFP is paid a fee for the services it provides. The risks related to contracts described in items (ii) and (iii) remain with the relevant manufacturing company (e.g. DAF Trucks).

**Keep Well Provider:** PACCAR Inc

**Arranger:** BNP Paribas

**Dealers:** Banco Bilbao Vizcaya Argentaria, S.A, Barclays Bank PLC, BNP Paribas, HSBC Bank plc, ING Bank N.V, The Royal Bank of Scotland plc and UBS Limited, and any other Dealer appointed from time to time by the Issuers either generally in respect of the Programme or in relation to a particular Tranche of Notes.

**Fiscal Agent:** Citibank, N.A., London Branch

**Listing and admission to trading:** Each Series may be admitted to the Official List and admitted to trading on the Regulated Market of the London Stock Exchange and/or admitted to listing, trading and/or quotation by any other listing authority, stock exchange and/or quotation system as may be agreed between the relevant Issuer and the relevant Dealer and specified in the relevant Final Terms or may be issued on the basis that they will not be admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system.

**Clearing Systems:** Euroclear and/or Clearstream, Luxembourg and/or, in relation to any Tranche of Notes, any other clearing system as may be specified in the relevant Final Terms.

**Initial Programme Amount:** Up to €1,500,000,000 (or its equivalent in other currencies) aggregate principal amount of Notes outstanding at any one time.

**Use of Proceeds** The net proceeds of the issue of each Tranche of Notes will be applied by the Issuers to meet part of their general financing requirements.

Issuance in Series:	Notes will be issued in Series. Each Series may comprise one or more Tranches issued on different issue dates. Tranches of Notes comprising a single Series will all be subject to identical terms, except that the issue date, issue price, nominal amount of each Tranche and the amount of the first payment of interest may be different in respect of different Tranches. In addition, Tranches of a single Series may comprise Notes of different denominations.
Final Terms:	Each Tranche will be the subject of Final Terms which, for the purposes of that Tranche only, supplements the Terms and Conditions of the Notes and this Base Prospectus and must be read in conjunction with this Base Prospectus. The terms and conditions applicable to any particular Tranche of Notes are the Terms and Conditions of the Notes as supplemented, amended and/or replaced by the relevant Final Terms.
Forms of Notes:	Notes may only be issued in bearer form. Each Tranche of Notes will initially be in the form of a Temporary Global Note as specified in the relevant Final Terms. Each Temporary Global Note which is not intended to be issued in new global note form (a " <b>Classic Global Note</b> " or " <b>CGN</b> "), as specified in the relevant Final Terms, will be deposited on or around the relevant issue date with a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and each Temporary Global Note which is intended to be issued in new global note form (a " <b>New Global Note</b> " or " <b>NGN</b> "), as specified in the relevant Final Terms, will be deposited on or around the relevant issue date with a common safekeeper for Euroclear and/or Clearstream, Luxembourg. Not earlier than the date that is 40 days after the later of the commencement of the offering and the issue date, a Temporary Global Note may be exchanged for a Permanent Global Note or, if so specified in the relevant Final Terms, for Definitive Notes in bearer form, and, if interest-bearing, with Coupons attached and, if appropriate, a Talon for further Coupons. Such exchange will be made upon certification of non-U.S. beneficial ownership. If the TEFRA D Rules are specified in the relevant Final Terms as applicable, certification as to non-U.S. beneficial ownership will be a condition precedent to any exchange of an interest in a Temporary Global Note or receipt of any payment of interest in respect of a Temporary Global Note. Each Permanent Global Note will be exchangeable for Definitive Notes in accordance with its terms. Definitive Notes will, if interest-bearing, have Coupons attached and, if appropriate, a Talon for further Coupons.
Currencies:	Notes may be denominated in euros, U.S. dollars or in any other currency or currencies agreed between the relevant Issuer and the relevant Dealers, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements. Payments in respect of Notes may, subject to such compliance, be made in and/or linked to, any currency or currencies other than the currency in which such Notes are denominated.
Status of the Notes:	Notes will constitute direct, general, unconditional and unsubordinated obligations of the relevant Issuer which will at all times rank <i>pari passu</i> among themselves and at least <i>pari passu</i> with all other present and future unsecured obligations of the relevant Issuer, save for such obligations as may be preferred by provisions of applicable law.
Keep Well:	Each Issuer has the benefit of a Keep Well Agreement with PACCAR, as described below under "Keep Well Agreements."
Issue Price:	Notes may be issued at any price and either on a fully or partly paid basis, as specified in the relevant Final Terms.

Maturities:	<p>Subject to compliance with all relevant laws, regulations and directives, any maturity between nine months and ten years.</p> <p>Where Notes have a maturity of less than one year and either (a) the issue proceeds are received by PFE in the United Kingdom or (b) the activity of issuing the Notes is carried on from an establishment maintained by PFE in the United Kingdom or (c) the Notes are issued by PFP, such Notes must: (i) have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be issued only to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses; or (ii) be issued in other circumstances which do not constitute a contravention of Section 19 of the United Kingdom FSMA by the relevant Issuer.</p>
Redemption:	Subject to the minimum redemption value referred to above, Notes may be redeemable at par or at such other Redemption Amount (detailed in a formula, index or otherwise) as may be specified in the relevant Final Terms. Notes may also be redeemable in two or more instalments on such dates and in such manner as may be specified in the relevant Final Terms.
Optional Redemption:	Notes may be redeemed before their stated maturity at the option of the relevant Issuer (either in whole or in part) and/or the Noteholders to the extent (if at all) specified in the relevant Final Terms.
Tax Redemption:	Except as described in "Optional Redemption" above, early redemption will only be permitted for tax reasons as described in Condition 10(b) ( <i>Redemption and Purchase - Redemption for tax reasons</i> ).
Interest:	Notes may be interest-bearing or non-interest bearing. Interest (if any) may accrue at a fixed rate or a floating rate or other variable rate or be index-linked and the method of calculating interest may vary between the issue date and the maturity date of the relevant Series.
Denominations:	Notes issued under the Programme which are to be admitted to trading on the Regulated Market of the London Stock Exchange and/or admitted to listing, trading and/or quotation by any other listing authority, stock exchange and/or quotation system situated or operating in a Member State and/or offered to the public in any Member State, in each case in circumstances which require the publication of a prospectus under the Prospectus Directive and the implementing measures in the relevant Member State, may not have a minimum denomination of less than €50,000 (or its equivalent in another currency). Notes may not be issued under the Programme which carry the right to acquire shares (or transferable securities equivalent to shares) issued by the Issuers or by any entity to whose group the relevant Issuer belongs. Subject thereto, Notes will be issued in such denominations as may be specified in the relevant Final Terms, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.
Negative Pledge:	The Notes will have the benefit of a negative pledge as described in Condition 5 ( <i>Negative Pledge</i> ).
Cross Default:	The Notes will have the benefit of a cross default as described in Condition 13 ( <i>Events of Default</i> ).



Taxation:	All payments in respect of Notes will be made free and clear of withholding taxes of The Netherlands, the United States of America or the United Kingdom, as the case may be, unless the withholding is required by law. In that event, the relevant Issuer will (subject as provided in Condition 12 ( <i>Taxation</i> )) pay such additional amounts as will result in the Noteholders receiving such amounts as they would have received in respect of such Notes had no such withholding been required.
Governing Law:	English law.
Enforcement of Notes in Global Form:	In the case of Global Notes, individual investors' rights against the Issuers will be governed by a Deed of Covenant dated 12 August 2009 given by PACCAR Financial Europe B.V. or a Deed of Covenant dated 12 August 2009 given by PACCAR Financial PLC in respect of Notes issued by PACCAR Financial Europe B.V. or PACCAR Financial PLC, respectively, copies of which will be available for inspection at the specified office of the Fiscal Agent.
Ratings:	Notes issued under the Programme may be rated or unrated. Where an issue of Notes is rated, its rating will not necessarily be the same as the rating applicable to the Programme. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.
Selling Restrictions:	Offers, sales and deliveries of Notes and distribution of offering material will (unless otherwise specified in the relevant Final Terms) be subject to restrictions with respect to the United States of America, the European Economic Area, the United Kingdom, The Netherlands/Global and Japan, all as set out under "Subscription and Sale" below, and all other applicable selling restrictions.
Risk Factors:	Investing in the Notes involves certain risks, some of which have been identified by the Issuers and PACCAR and are set out in more detail below in "Risk Factors." Risk factors identified include general business risk factors which may affect the ability of the Issuers and PACCAR to fulfil their respective obligations under the Notes and the Keep Well Agreements. These general business risk factors include but are not limited to: national and local 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; price changes impacting equipment costs and residual values; changes in costs and availability of external funding sources; and legislation and governmental regulation.

## **RISK FACTORS**

*Prospective investors should read the entire Base Prospectus. Words and expressions defined in the "Terms and Conditions of the Notes" below or elsewhere in this Base Prospectus have the same meanings in this section.*

*Investing in the Notes involves certain risks. Prospective investors should consider the following:*

### **Risks relating to the Issuers and their affiliates**

The commercial truck and trailer finance and leasing business is highly competitive among banks, commercial finance companies, captive finance companies and leasing companies. Many of these institutions have substantially greater financial resources than the Issuers and their lending affiliates and may borrow funds at lower rates. Truck dealers are the primary source of contracts acquired by the lending affiliates. However, borrowers are not required to obtain financing from the Issuers and their lending affiliates, and they have a variety of other sources that may be used for wholesale and customer financing of trucks. Retail purchasers also have a variety of sources available to finance truck purchases. The ability of each Issuer and their lending affiliates to compete in their respective markets is principally based on the rates, terms and conditions that the lending affiliates offer truck dealers and retail purchasers, as well as the specialized services they provide. Rates, terms and conditions are based on the desire to provide flexible financing and services to satisfy dealer and customer needs, the ability to borrow funds at competitive rates and the need to earn an adequate return on invested capital. Seasonality is not a significant factor in the business of the Issuers and their affiliates. The business is affected by changes in market interest rates and currency exchange rates, which in turn are related to general economic conditions, demand for credit, inflation and governmental policies. The volume of receivables available to be acquired by the Issuers and their lending affiliates from truck dealers is largely dependent upon the number of DAF trucks sold in their respective areas of operations. Sales of trucks depend on the capital equipment requirements of the transportation industry, which in turn are influenced by growth and cyclical variations in the economy. Truck sales are also sensitive to economic factors such as fuel availability and costs, interest rates, currency exchange rates, insurance premiums and taxes, as well as government regulations. The factors affecting the sale of new trucks, as listed above, also affect the profitability of truck operators and the value of used trucks, which in turn affect the credit losses experienced by the Issuers and their affiliates. The Issuers and their lending affiliates have established reasonable estimates for allowances for credit losses and residual values for equipment on operating leases, but unexpected changes in the previously listed factors could cause the credit losses experienced and residual values realized to differ from the estimates.

### **Risks relating to PACCAR**

#### ***Business and Industry Risks***

*Commercial truck market demand is variable.*

Demand for commercial vehicles depends on economic and other conditions in a given market and the introduction of new vehicles and technologies. The yearly demand for commercial vehicles may increase or decrease more than overall gross domestic product in markets PACCAR serves, which are principally North America and Western Europe. Demand may also be affected by factors impacting new truck prices such as costs of raw materials and components and cost of compliance with governmental regulations (including tariffs, engine emissions regulations, import regulations and taxes).

*The financial services industry is highly competitive.*

PACCAR competes with banks, other commercial finance companies and financial services firms which may have lower costs of borrowing, higher leverage or market share goals that result in a willingness to offer lower interest rates, which may lead to decreased margins, lower market share or both. A decline in PACCAR's commercial truck unit sales, an increase in residual value risk due to lower used truck pricing and increased funding costs are also factors which may negatively affect PACCAR's financial services operations.

*The financial services segment is subject to credit risk.*

The financial services segment is exposed to the risk of loss arising from the failure of a customer, dealer or counterparty to meet the terms of the loans, leases and derivative contracts with PACCAR. Although the financial assets of the financial services segment are secured by underlying equipment collateral, in the event a customer cannot meet its obligations to PACCAR, there is a risk that the value

of the underlying collateral will not be sufficient to recover the amounts owed to PACCAR resulting in credit losses.

*The financial services segment is subject to liquidity risk.*

The global economy is experiencing a recession and the financial markets are experiencing significant volatility. Financial turmoil is affecting the banking system and financial markets and has resulted in reduced liquidity in the global credit markets. Despite the reduced liquidity, PACCAR's financial services segment has generally been able to issue commercial paper, medium-term notes and bank debt. If commercial paper, medium-term notes and bank debt do not provide the necessary liquidity in the future, PACCAR's financial services segment may limit its financing of retail and wholesale assets. This may have a negative effect on PACCAR's financial services segment results.

#### ***Political, Regulatory and Economic Risks***

PACCAR's operations could be subject to currency and interest rate fluctuations. PACCAR's consolidated financial statements, which are presented in U.S. dollars, are affected by foreign currency exchange fluctuations through both translation and transaction risk. PACCAR uses certain derivative financial instruments and localized production of its products to reduce, but not eliminate, the effects of interest rate and foreign currency exchange rate fluctuations.

PACCAR may be adversely affected by political instabilities, fuel shortages or interruptions in transportation systems, natural calamities, wars, terrorism and labour strikes. PACCAR is subject to various risks associated with conducting business worldwide.

#### ***Risks related to the market generally***

Set out below is a brief description of the principal market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

##### *The secondary market generally*

Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes would generally have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Notes.

##### *Exchange rate risks and exchange controls*

Principal and interest on the Notes will be paid in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may change significantly (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (i) the Investor's Currency-equivalent yield on the Notes, (ii) the Investor's Currency-equivalent value of the principal payable on the Notes and (iii) the Investor's Currency-equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

##### *Interest rate risks*

Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Fixed Rate Notes.

##### *Credit risks*

Credit or corporate ratings may not reflect all risks. One or more independent rating agencies may assign ratings to the Notes and/or the Issuers. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed in this paragraph, and other factors that

may affect the value of the Notes or the standing of the Issuers. A credit rating and/or a corporate rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

**Factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme**

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained in this Base Prospectus or any applicable supplement;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;
- (iv) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured and appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

**Risks related to the structure of a particular issue of Notes**

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of the most common of such features:

*Notes subject to optional redemption by the Issuer*

An optional redemption feature of Notes is likely to limit their market value. During any period when an Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period. An Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

*Index Linked Notes and Dual Currency Notes*

The Issuers may issue Notes with principal or interest determined by reference to an index or formula, to changes in the prices of securities or commodities, to movements in currency exchange rates or other factors (each, a "**Relevant Factor**"). In addition, the Issuers may issue Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

- (i) the market price of such Notes may be very volatile;
- (ii) they may receive no interest;

- (iii) payment of principal or interest may occur at a different time or in a different currency than expected;
- (iv) they may lose all or a substantial portion of their principal;
- (v) a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- (vi) if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable is likely to be magnified; and
- (vii) the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

#### *Partly-paid Notes*

The Issuers may issue Notes where the issue price is payable in more than one instalment. Failure to pay any subsequent instalment could result in an investor losing all of his investment.

#### *Fixed/Floating Rate Notes*

Fixed/Floating Rate Notes may bear interest at a rate that the relevant Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The Issuer's ability to convert the interest rate will affect the secondary market and the market value of the Notes since the relevant Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If an Issuer converts its Notes from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If an Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on its Notes.

#### *Notes issued at a substantial discount or premium*

The market values of securities issued at a substantial discount or premium from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

### **Risks related to Notes generally**

#### *Modification and waiver*

The conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

#### *Change of law*

The conditions of the Notes are based on the laws of England in effect as at the date of this Base Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to the laws or administrative practice of England after the date of this Base Prospectus.

#### *European Monetary Union*

If the United Kingdom joins the European Monetary Union prior to the maturity of the Notes, there is no assurance that this would not adversely affect investors in the Notes. It is possible that prior to the maturity of the Notes the United Kingdom may become a participating Member State and that the euro may become the lawful currency of the United Kingdom. In that event (i) all amounts payable in respect of any Notes denominated in sterling may become payable in euro; (ii) the law may allow or require such Notes to be re-denominated into euro and additional measures to be taken in respect of such Notes; and (iii) there may no longer be available published or displayed rates for deposits in sterling used to determine the rates of interest on such Notes or changes in the way those rates are calculated, quoted and published or displayed. The introduction of the euro could also be accompanied by a volatile interest rate environment, which could adversely affect investors in the Notes.

### *Denominations*

In relation to any issue of Notes which have a denomination consisting of the minimum Specified Denomination plus a higher integral multiple of another smaller amount, it is possible that the Notes may be traded in amounts that are not integral multiples of such minimum Specified Denominations (as defined in the Conditions). In such a case a Noteholder who, as a result of trading such amounts, holds a principal amount of less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a Definitive Note in respect of such holding (should Definitive Notes be printed) and would need to purchase a principal amount of Notes such that its holding amounts to a Specified Denomination.

## INFORMATION INCORPORATED BY REFERENCE

The following information shall be deemed to be incorporated in, and to form part of, this Base Prospectus:

- A. In respect of PFE, the audited consolidated and unconsolidated annual financial information (including the auditor's report thereon and the notes thereto) in respect of the financial year ended 31 December 2008 as set out in pages 5-59 (inclusive) of its annual report for 2008, and in respect of the financial year ended 31 December 2007 as set out on pages 5-62 of its annual report for 2007;
- B. In respect of PACCAR, the audited consolidated financial statements (including the auditor's report thereon and the notes thereto) in respect of the financial year ended 31 December 2008 as set out on pages 31-51 of the 2008 annual report to stockholders of PACCAR, and in respect of the financial year ended 31 December 2007, as set out on pages 31-50 of the 2007 annual report of PACCAR;
- C. The terms and conditions set out on pages 17 to 38 of the base prospectus dated 7 July 2008 relating to the Programme under the heading "Terms and Conditions of the Notes" (the "**7 July 2008 Conditions**");
- D. The terms and conditions set out on pages 16 to 34 of the base prospectus dated 29 June 2007 relating to the Programme under the heading "Terms and Conditions of the Notes" (the "**29 June 2007 Conditions**"); and
- E. The terms and conditions set out on pages 17 to 34 of the base prospectus dated 8 September 2006 relating to the Programme under the heading "Terms and Conditions of the Notes" (the "**8 September 2006 Conditions**"),

*provided, however, that* any statement contained in this Base Prospectus or in any information or in any of the documents incorporated by reference in, and forming part of, this Base Prospectus shall be deemed to be modified or superseded for the purpose of this Base Prospectus to the extent that a statement contained in any document subsequently incorporated by reference herein by way of a supplement prepared in accordance with Article 16 of the Prospectus Directive, modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Base Prospectus.

Copies of the documents specified above as containing information incorporated by reference in this Base Prospectus may be inspected, free of charge, during normal business hours at the specified office of the Fiscal Agent. Any information contained in any of the documents specified above which is not incorporated by reference in this Base Prospectus is either not relevant to investors or is covered elsewhere in this Base Prospectus.

*For the avoidance of doubt, in respect of PFP, the audited unconsolidated annual financial information (including the auditor's report thereon and the notes thereto) in respect of the financial year ended 31 December 2007 is set out on pages F1-F14 (inclusive) of this Base Prospectus, and in respect of the financial year ended 31 December 2008 is set out on pages F15-F27 of this Base Prospectus.*

### **SUPPLEMENTAL PROSPECTUS**

If at any time the Issuers shall be required to prepare a supplemental prospectus pursuant to Section 87G of the United Kingdom FSMA, the Issuers will prepare and make available an appropriate amendment or supplement to this Base Prospectus or a further prospectus which, in respect of any subsequent issue of Notes to be listed on the Official List and admitted to trading on the Regulated Market of the London Stock Exchange, shall constitute a supplemental prospectus as required by the FSA and Section 87 of the United Kingdom FSMA.



## FORMS OF THE NOTES

Each Tranche of Notes will initially be in the form of a temporary global note (the "**Temporary Global Note**"), without interest coupons. Each Temporary Global Note which is not intended to be issued in NGN form, as specified in the relevant Final Terms will be deposited on or around the issue date of the relevant Tranche of the Notes with a depositary or a common depositary for Euroclear Bank S.A./N.V, having its office at 1 Boulevard du Roi Albert II, B-1210 Brussels, ("**Euroclear**") and/or Clearstream Banking, société anonyme, Luxembourg, having its office at 41 Avenue JF Kennedy, L-1855 Luxembourg, ("**Clearstream, Luxembourg**") and/or any other relevant clearing system. Each Temporary Global Note which is intended to be issued in NGN form, as specified in the relevant Final Terms, will be deposited on or around the issue date of the relevant Tranche of the Notes with a common safekeeper for Euroclear and/or Clearstream, Luxembourg.

The relevant Final Terms will specify that U.S. Treasury Regulation §1.163-5(c)(2)(i)(D) (the "**TEFRA D Rules**") are applicable in relation to the Notes.

### **Temporary Global Note exchangeable for Permanent Global Note**

The Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole or in part, for interests in a permanent global note (a "**Permanent Global Note**," and together with the Temporary Global Note, the "**Global Notes**" and each a "**Global Note**"), without interest coupons, not earlier than 40 days after the later of the commencement of the offer and the issue date of the relevant Tranche of the Notes upon certification as to non-U.S. beneficial ownership. No payments will be made under the Temporary Global Note unless exchange for interests in the Permanent Global Note is improperly withheld or refused. In addition, interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

Whenever any interest in the Temporary Global Note is to be exchanged for an interest in a Permanent Global Note, the relevant Issuer shall procure (in the case of first exchange) the prompt delivery (free of charge to the bearer) of such Permanent Global Note to the bearer of the Temporary Global Note or (in the case of any subsequent exchange) an increase in the principal amount of the Permanent Global Note in accordance with its terms against:

- (i) presentation and (in the case of final exchange) surrender of the Temporary Global Note to or to the order of the Fiscal Agent; and
- (ii) receipt by the Fiscal Agent of a certificate or certificates of non-U.S. beneficial ownership, within seven days of the bearer requesting such exchange.

The principal amount of the Permanent Global Note shall be equal to the aggregate of the principal amounts specified in the certificates of non-U.S. beneficial ownership; *provided, however, that* in no circumstances shall the principal amount of the Permanent Global Note exceed the initial principal amount of the Temporary Global Note.

The Permanent Global Note will be exchangeable in whole, but not in part, for Notes in definitive form ("**Definitive Notes**"):

- (i) on the expiry of such period of notice as may be specified in the relevant Final Terms; or
- (ii) at any time, if so specified in the relevant Final Terms; or
- (iii) if the relevant Final Terms specifies "in the limited circumstances described in the Permanent Global Note," then if (a) Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or (b) any of the circumstances described in Condition 13 (*Events of Default*) occurs.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the relevant Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note to or to the order of the Fiscal Agent within 30 days of the bearer requesting such exchange.

### **Temporary Global Note exchangeable for Definitive Notes**

If the relevant Final Terms specifies the form of Notes as being "Temporary Global Note exchangeable for Definitive Notes," then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable in whole for Definitive Notes not earlier than 40 days after the later of the commencement of the offering and the issue date of the relevant Tranche of the Notes upon certification as to non-U.S. beneficial ownership. Interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

Whenever the Temporary Global Note is to be exchanged for Definitive Notes, the relevant Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Temporary Global Note to the bearer of the Temporary Global Note against the surrender of the Temporary Global Note to or to the order of the Fiscal Agent within 30 days of the bearer requesting such exchange.

### **Permanent Global Note exchangeable for Definitive Notes**

A Permanent Global Note will be exchangeable in whole, but not in part, for Definitive Notes:

- (i) on the expiry of such period of notice as may be specified in the relevant Final Terms; or
- (ii) at any time, if so specified in the relevant Final Terms; or
- (iii) if the relevant Final Terms specifies "in the limited circumstances described in the Permanent Global Note," then if (a) Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or (b) any of the circumstances described in Condition 13 (*Events of Default*) occurs.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the relevant Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note to or to the order of the Fiscal Agent within 30 days of the bearer requesting such exchange.

So long as the Notes are listed on the London Stock Exchange, whenever the Permanent Global Note is to be exchanged for Definitive Notes, the relevant Issuer shall publish a notice in London in the manner specified in Condition 19 (*Notices*).

### **Terms and Conditions applicable to the Notes**

The terms and conditions applicable to any Definitive Note will be endorsed on that Note and will consist of the terms and conditions set out under "Terms and Conditions of the Notes" below and the provisions of the relevant Final Terms which supplement, amend and/or replace those terms and conditions.

The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under "Summary of Provisions Relating to the Notes while in Global Form" below.

### **Legend concerning U.S. persons**

The Notes in global form, the Notes in definitive form and any Coupons and Talons appertaining thereto will bear a legend to the following effect:

"Any U.S. person who holds this obligation will be subject to limitations under the U.S. income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the U.S. Internal Revenue Code."

The sections referred to in such legend provide that a U.S. person who holds a Note, Coupon or Talon will generally not be allowed to deduct any loss realised on the sale, exchange or redemption of such Note, Coupon or Talon and any gain (which might otherwise be characterised as capital gain) recognised on such sale, exchange or redemption will be treated as ordinary income.

## TERMS AND CONDITIONS OF THE NOTES

*The following is the text of the terms and conditions which, as supplemented, amended and/or replaced by the relevant Final Terms, will be endorsed on each Note in definitive form issued under the Programme. The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under "Summary of Provisions Relating to the Notes while in Global Form" below. All capitalised terms that are not defined in the terms and conditions shall have the meanings given to them in the relevant Final Terms. References in the terms and conditions to "Notes" are to the Notes of one Series only, not to all Notes that may be issued under the Programme.*

### 1. Introduction

- (a) *Programme:* PACCAR Financial Europe B.V., a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) incorporated under the laws of The Netherlands, having its corporate seat at Eindhoven ("**PFE**") and PACCAR Financial PLC, a public limited company incorporated under the laws of England and Wales ("**PFP**") have established a Euro Medium Term Note Programme (the "**Programme**") for the issuance of up to €1,500,000,000 in aggregate principal amount of notes (the "**Notes**").
- (b) *Final Terms:* Notes issued under the Programme are issued in series (each a "**Series**") and each Series may comprise one or more tranches (each a "**Tranche**") of Notes. Each Tranche is the subject of Final Terms (the "**Final Terms**") which supplements these terms and conditions (the "**Conditions**"). The terms and conditions applicable to any particular Tranche of Notes are these Conditions as supplemented, amended and/or replaced by the relevant Final Terms. In the event of any inconsistency between these Conditions and the relevant Final Terms, the relevant Final Terms shall prevail.
- (c) *Agency Agreement:* The Notes are the subject of and issued pursuant to an amended and restated agency agreement dated 12 August 2009 (the "**Agency Agreement**") between PFE, PFP, Citibank, N.A., London Branch as fiscal agent (the "**Fiscal Agent**," which expression includes any successor fiscal agent appointed from time to time in connection with the Notes) and the paying agents named therein (together with the Fiscal Agent, the "**Paying Agents**," which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes) and with the benefit of a deed of covenant executed by PFE dated 12 August 2009 and a deed of covenant executed by PFP dated 12 August 2009 (each a "**Deed of Covenant**" and together the "**Deeds of Covenant**") in relation to the Notes.
- (d) *The Notes:* All subsequent references in these Conditions to "Notes" are to the Notes which are the subject of the relevant Final Terms. Copies of the relevant Final Terms are available during normal business hours at the Specified Office of the Fiscal Agent or at the office of the Paying Agent in London, the initial Specified Offices of which are set out below.
- (e) *Summaries:* Certain provisions of these Conditions are summaries of the Agency Agreement and are subject to their detailed provisions. The holders of the Notes (the "**Noteholders**") and the holders of the related interest coupons, if any, (the "**Couponholders**" and the "**Coupons**," respectively) are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement applicable to them. Copies of the Agency Agreement and the Deed of Covenant are available for inspection during normal business hours at the Specified Offices of each of the Paying Agents, the initial Specified Offices of which are set out below.

### 2. Interpretation

- (a) *Definitions:* In these Conditions the following expressions have the following meanings:

"**Accrual Yield**" has the meaning given in the relevant Final Terms;

"**Additional Business Centre(s)**" means the city or cities specified as such in the relevant Final Terms;

"**Additional Financial Centre(s)**" means the city or cities specified as such in the relevant Final Terms;

**"Business Day"** means:

- (i) in relation to any sum payable in euro, a TARGET Settlement Day and a day on which commercial banks and foreign exchange markets settle payments generally in each (if any) Additional Business Centre; and
- (ii) in relation to any sum payable in a currency other than euro, a day on which commercial banks and foreign exchange markets settle payments generally in London, in the Principal Financial Centre of the relevant currency and in each (if any) Additional Business Centre;

**"Business Day Convention,"** in relation to any particular date, has the meaning given in the relevant Final Terms and, if so specified in the relevant Final Terms, may have different meanings in relation to different dates and, in this context, the following expressions shall have the following meanings:

- (i) **"Following Business Day Convention"** means that the relevant date shall be postponed to the first following day that is a Business Day;
- (ii) **"Modified Following Business Day Convention"** or **"Modified Business Day Convention"** means that the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;
- (iii) **"Preceding Business Day Convention"** means that the relevant date shall be brought forward to the first preceding day that is a Business Day;
- (iv) **"FRN Convention," "Floating Rate Convention" or "Eurodollar Convention"** means that each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the relevant Final Terms as the Specified Period after the calendar month in which the preceding such date occurred *provided, however, that:*
  - (A) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;
  - (B) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and
  - (C) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred; and
- (v) **"No Adjustment"** means that the relevant date shall not be adjusted in accordance with any Business Day Convention;

**"Calculation Agent"** means the Fiscal Agent or such other Person specified in the relevant Final Terms as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s) and/or such other amount(s) as may be specified in the relevant Final Terms;

**"Calculation Amount"** has the meaning given in the relevant Final Terms;

**"Consolidated Assets"** means the aggregate amount of assets (less applicable reserves for depreciation, amortisation, unearned finance charges, allowance for credit losses and other properly deductible items) after deducting therefrom all goodwill, trade names, trademarks, patents, organisation expenses and other like intangibles, all as set forth on the most recent balance sheet of the Issuer and its Subsidiaries and computed in accordance with generally accepted accounting principles;

**"Coupon Sheet"** means, in respect of a Note, a coupon sheet relating to the Note;

**"Day Count Fraction"** means, in respect of the calculation of an amount for any period of time (the **"Calculation Period"**), such day count fraction as may be specified in these Conditions or the relevant Final Terms and:

- (i) if **"Actual/Actual (ICMA)"** is so specified, means:
  - (a) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
  - (b) where the Calculation Period is longer than one Regular Period, the sum of:
    - (A) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
    - (B) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (a) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year;
- (ii) if **"Actual/365"** or **"Actual/Actual (ISDA)"** is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (iii) if **"Actual/365 (Fixed)"** is so specified, means the actual number of days in the Calculation Period divided by 365;
- (iv) if **"Sterling/FRN"** is so specified, means the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (v) if **"Actual/360"** is so specified, means the actual number of days in the Calculation Period divided by 360;
- (vi) if **"30/360"** is so specified, means the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (i) the last day of the Calculation Period is the 31st day of a month but the first day of the Calculation Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (ii) the last day of the Calculation Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month)); and
- (vii) if **"30E/360"** or **"Eurobond Basis"** is so specified means, the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months, without regard to the date of the first day or last day of the Calculation Period unless, in the case of the final Calculation Period, the date of final maturity is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month);

**"Early Redemption Amount (Tax)"** means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms;

**"Early Termination Amount"** means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, these Conditions or the relevant Final Terms;

**"Extraordinary Resolution"** has the meaning given in the Agency Agreement;

**"Final Redemption Amount"** means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms;

**"First Interest Payment Date"** means the date specified in the relevant Final Terms;

**"Fixed Coupon Amount"** has the meaning given in the relevant Final Terms;

**"Indebtedness"** means any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any indebtedness for money borrowed by the Issuer;

**"Interest Amount"** means, in relation to a Note and an Interest Period, the amount of interest payable in respect of that Note for that Interest Period;

**"Interest Commencement Date"** means the Issue Date of the Notes or such other date as may be specified as the Interest Commencement Date in the relevant Final Terms;

**"Interest Determination Date"** has the meaning given in the relevant Final Terms;

**"Interest Payment Date"** means the First Interest Payment Date and any other date or dates specified as such in, or determined in accordance with the provisions of, the relevant Final Terms and, if a Business Day Convention is specified in the relevant Final Terms:

- (i) as the same may be adjusted in accordance with the relevant Business Day Convention; or
- (ii) if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention and an interval of a number of calendar months is specified in the relevant Final Terms as being the Specified Period, each of such dates as may occur in accordance with the FRN Convention, Floating Rate Convention or Eurodollar Convention at such Specified Period of calendar months following the Interest Commencement Date (in the case of the First Interest Payment Date) or the previous Interest Payment Date (in any other case);

**"Interest Period"** means each period beginning on (and including) the Interest Commencement Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date;

**"ISDA Definitions"** means the 2000 ISDA Definitions (as amended and updated as at the date of issue of the first Tranche of the Notes of the relevant Series (as specified in the relevant Final Terms) as published by the International Swaps and Derivatives Association, Inc.) or, if so specified in the relevant Final Terms, the 2006 ISDA Definitions (as amended and updated as at the date of issue of the first Tranche of the Notes of the relevant Series (as specified in the relevant Final Terms) as published by the International Swaps and Derivatives Association, Inc.);

**"Issuer"** means PFE or PFP, as may be specified in the Final Terms;

**"Issue Date"** has the meaning given in the relevant Final Terms;

**"Liens"** means any interest in Property securing an obligation owed to, or a claim by, a Person other than the owner of the Property, including but not limited to a security interest arising from a mortgage, encumbrance, pledge, conditional sale or trust receipt, or a lease, consignment or bailment for security purposes. For the purposes of this definition, a Person shall be deemed to be the owner of any Property which it has or holds subject to a conditional sale arrangement, financing lease or other arrangement pursuant to which title to the Property has been retained by or is vested in some other Person for security purposes;

**"Margin"** has the meaning given in the relevant Final Terms;

**"Maturity Date"** has the meaning given in the relevant Final Terms;

**"Maximum Redemption Amount"** has the meaning given in the relevant Final Terms;

**"Minimum Redemption Amount"** has the meaning given in the relevant Final Terms;

**"Optional Redemption Amount (Call)"** means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms;

**"Optional Redemption Amount (Put)"** means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms;

**"Optional Redemption Date (Call)"** has the meaning given in the relevant Final Terms;

**"Optional Redemption Date (Put)"** has the meaning given in the relevant Final Terms;

**"Participating Member State"** means a Member State of the European Communities which adopts the euro as its lawful currency in accordance with the Treaty;

**"Payment Business Day"** means:

- (i) if the currency of payment is euro, any day which is:
  - (A) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and
  - (B) in the case of payment by transfer to an account, a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or
- (ii) if the currency of payment is not euro, any day which is:
  - (A) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and
  - (B) in the case of payment by transfer to an account, a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre;

**"Person"** means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

**"Principal Financial Centre"** means, in relation to any currency, the principal financial centre for that currency *provided, however, that* in relation to euro, it means the principal financial centre of such Member State of the European Communities as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent;

**"Property"** means any kind of property or asset, whether real, personal or mixed, tangible or intangible;

**"Put Option Notice"** means a notice which must be delivered to a Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder;

**"Put Option Receipt"** means a receipt issued by a Paying Agent to a depositing Noteholder upon deposit of a Note with such Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder;

**"Rate of Interest"** means the rate or rates (expressed as a percentage per annum) of interest payable in respect of the Notes specified in the relevant Final Terms or calculated or determined in accordance with the provisions of these Conditions and/or the relevant Final Terms;

**"Redemption Amount"** means, as appropriate, the Final Redemption Amount, the Early Redemption Amount (Tax), the Optional Redemption Amount (Call), the Optional Redemption Amount (Put), the Early Termination Amount or such other amount in the nature of a redemption amount as may be specified in, or determined in accordance with the provisions of, the relevant Final Terms;

**"Reference Banks"** has the meaning given in the relevant Final Terms or, if none, four major banks selected by the Calculation Agent in the market that is most closely connected with the Reference Rate;

**"Reference Price"** has the meaning given in the relevant Final Terms;

**"Reference Rate"** has the meaning given in the relevant Final Terms;

**"Regular Period"** means:

- (i) in the case of Notes where interest is scheduled to be paid only by means of regular payments, each period from and including the Interest Commencement Date to but excluding the First Interest Payment Date and each successive period from and including one Interest Payment Date to but excluding the next Interest Payment Date;
- (ii) in the case of Notes where, apart from the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where **"Regular Date"** means the day and month (but not the year) on which any Interest Payment Date falls; and
- (iii) in the case of Notes where, apart from one Interest Period other than the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where **"Regular Date"** means the day and month (but not the year) on which any Interest Payment Date falls other than the Interest Payment Date falling at the end of the irregular Interest Period;

**"Relevant Date"** means, in relation to any payment, whichever is the later of (a) the date on which the payment in question first becomes due and (b) if the full amount payable has not been received in the Principal Financial Centre of the currency of payment by the Fiscal Agent on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders;

**"Relevant Financial Centre"** has the meaning given in the relevant Final Terms;

**"Relevant Screen Page"** means the page, section or other part of a particular information service (including, without limitation, the Reuter Money 3000 Service and the Telerate Service) specified as the Relevant Screen Page in the relevant Final Terms, or such other page, section or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the Person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate;

**"Relevant Time"** has the meaning given in the relevant Final Terms;

**"Reserved Matter"** means any proposal

- (i) to change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes, to alter the method of calculating the amount of any payment in respect of the Notes or the date for any such payment;
- (ii) to effect the exchange or substitution of the Notes for, or the conversion of the Notes into, shares bonds or other obligations or securities of the Issuer or any other Person or body corporate formed or to be formed;
- (iii) to change the currency in which amounts due in respect of the Notes are payable;
- (iv) to change the quorum required at any Meeting or the majority required to pass an Extraordinary Resolution; or
- (v) to amend this definition;

**"Restricted Debt"** when used with respect to the Issuer or any Subsidiary of the Issuer, means any present or future indebtedness for money borrowed evidenced by any note, bond, debenture or other evidence of indebtedness for money borrowed which is, or is capable of being, listed, quoted or traded on any stock exchange or in any securities market (including, without



limitation, any over-the counter market), for which the Issuer or such Subsidiary of the Issuer is liable, directly or indirectly, absolutely or contingently. Restricted Debt shall not include any indebtedness for the payment, redemption or satisfaction of which money (or other Property permitted under the instrument creating or evidencing such indebtedness) in the necessary amount shall have been deposited in trust with a trustee or proper depository at or before the maturity or redemption date thereof. For the purposes of this definition, "indebtedness for money borrowed" shall include, without limitation, obligations created or arising under any conditional sale, financing lease, or other title retention agreement and obligations to pay for Property;

"**Specified Currency**" has the meaning given in the relevant Final Terms;

"**Specified Denomination(s)**" has the meaning given in the relevant Final Terms;

"**Specified Office**" has the meaning given in the Agency Agreement;

"**Specified Period**" has the meaning given in the relevant Final Terms;

"**Subsidiary**" means, in relation to any Person (the "**first Person**") at any particular time, any other Person (the "**second Person**"):

- (i) whose affairs and policies the first Person controls or has the power to control, whether by ownership of share capital, contract, the power to appoint or remove members of the governing body of the second Person or otherwise; or
- (ii) whose financial statements are, in accordance with applicable law and generally accepted accounting principles, consolidated with those of the first Person;

"**Talon**" means a talon for further Coupons;

"**TARGET2**" means the Trans-European Automated Real-Time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007;

"**TARGET Settlement Day**" means any day on which TARGET2 is open for the settlement of payments in euro;

"**Treaty**" means the Treaty establishing the European Communities, as amended; and

"**Zero Coupon Note**" means a Note specified as such in the relevant Final Terms.

(b) *Interpretation:* In these Conditions:

- (i) if the Notes are Zero Coupon Notes, references to Coupons and Couponholders are not applicable;
- (ii) if Talons are specified in the relevant Final Terms as being attached to the Notes at the time of issue, references to Coupons shall be deemed to include references to Talons;
- (iii) if Talons are not specified in the relevant Final Terms as being attached to the Notes at the time of issue, references to Talons are not applicable;
- (iv) any reference to principal shall be deemed to include the Redemption Amount, any additional amounts in respect of principal which may be payable under Condition 12 (*Taxation*), any premium payable in respect of a Note and any other amount in the nature of principal payable pursuant to these Conditions;
- (v) any reference to interest shall be deemed to include any additional amounts in respect of interest which may be payable under Condition 12 (*Taxation*) and any other amount in the nature of interest payable pursuant to these Conditions;
- (vi) references to Notes being "outstanding" shall be construed in accordance with the Agency Agreement;
- (vii) if an expression is stated in Condition 2(a) to have the meaning given in the relevant Final Terms, but the relevant Final Terms gives no such meaning or specifies that such expression is "not applicable" then such expression is not applicable to the Notes; and

- (viii) any reference to the Agency Agreement shall be construed as a reference to the Agency Agreement as amended and/or supplemented up to and including the Issue Date of the Notes.

**3. Form Denomination and Title**

The Notes are in bearer form in the Specified Denomination(s) with Coupons and, if specified in the relevant Final Terms, Talons attached at the time of issue. In the case of a Series of Notes with more than one Specified Denomination, Notes of one Specified Denomination will not be exchangeable for Notes of another Specified Denomination. In the case of any Notes which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive, the minimum Specified Denomination shall be €50,000 (or its equivalent in any other currency as at the date of issue of the relevant Notes). Title to the Notes and the Coupons will pass by delivery. The holder of any Note or Coupon shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or any notice of any previous loss or theft thereof) and no Person shall be liable for so treating such holder. No Person shall have any right to enforce any term or condition of any Note under the Contracts (Rights of Third Parties) Act 1999.

**4. Status of Notes**

The Notes constitute direct, general, unconditional, unsubordinated and (without prejudice to the provisions of Condition 5 (Negative Pledge)) unsecured obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application and subject to Condition 5 (*Negative Pledge*).

**5. Negative Pledge**

After the date hereof, the Issuer will not itself, and will not permit any Subsidiary of the Issuer to, create, incur or suffer to exist, any Lien on any Property of the Issuer or any Subsidiary of the Issuer securing any Restricted Debt, without effectively providing that the Notes (together with, if the Issuer shall so determine, any other indebtedness of the Issuer or such Subsidiary then existing or thereafter created) shall be secured equally and rateably with (or, at the option of the Issuer, prior to) such secured Restricted Debt, so long as such secured Restricted Debt shall be so secured, unless, after giving effect thereto, the aggregate amount of all Restricted Debt of the Issuer and its Subsidiaries secured by Liens on Property of the Issuer and its Subsidiaries would not exceed 15% of Consolidated Assets; *provided, however, that* this Condition 5 shall not apply to, and there shall be excluded from Restricted Debt secured by Liens in any computation under this Condition 5, Restricted Debt secured only by:

- (i) Liens on Property of, or on any shares of capital stock of, any corporation existing at the time such corporation becomes a Subsidiary of the Issuer;
- (ii) Liens in favour of the Issuer or any Subsidiary of the Issuer or Liens securing any indebtedness of a Subsidiary to the Issuer or of the Issuer or a Subsidiary to a Subsidiary of the Issuer;
- (iii) Liens in favour of any governmental body (or surety for any governmental body) to secure progress, advance or other payments pursuant to any contract or provision of any statute or rule of court;
- (iv) Liens of any other creditors on Property repossessed in the ordinary course of business which comprises collateral security for defaulted indebtedness or additional Liens created on any such Property for the purpose of protecting the interest of the Issuer therein;
- (v) A banker's Lien or other right of offset in favour of any lender or other holder of Restricted Debt on money deposited with such lender or holder in the ordinary course of business;

- (vi) Liens on Property and rentals therefrom existing at the time of acquisition thereof, or to secure the payment of all or any part of the purchase price thereof or construction thereon or to secure any Restricted Debt incurred prior to, at the time of, or within 180 days after the later of the acquisition of such Property or the completion of construction for the purpose of financing all or any part of the purchase price thereof or construction thereon; or
- (vii) Any extension, renewal or replacement (or successive extensions, renewals or replacements), as a whole or in part, of any Lien referred to in the foregoing clauses (i) through (vi), inclusive; *provided, however, that* such extension, renewal or replacement Lien shall be limited to all or part of the same Property that secured the Lien extended, renewed or replaced (plus improvements on such Property).

For purposes of this Condition 5 an "acquisition" of Property shall include any transaction or Series of transactions by which the Issuer or a Subsidiary of the Issuer acquires, directly or indirectly, an interest, or an additional interest (to the extent thereof), in such Property, including without limitation an acquisition through merger or consolidation with, or an acquisition of an interest in, a Person owning an interest in such Property.

## 6. Fixed Rate Note Provisions

- (a) *Application:* This Condition 6 (*Fixed Rate Note Provisions*) is applicable to the Notes only if the Fixed Rate Note Provisions are specified in the relevant Final Terms as being applicable.
- (b) *Accrual of interest:* The Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 11 (*Payments*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 6 (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).
- (c) *Fixed Coupon Amount:* The amount of interest payable in respect of each Note for any Interest Period shall be the relevant Fixed Coupon Amount and, if the Notes are in more than one Specified Denomination, shall be the relevant Fixed Coupon Amount in respect of the relevant Specified Denomination.
- (d) *Calculation of interest amount:* The amount of interest payable in respect of each Note for any period for which a Fixed Coupon Amount is not specified shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction and rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of such Note divided by the Calculation Amount. For this purpose a "sub-unit" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

## 7. Floating Rate Note and Index-Linked Interest Note Provisions

- (a) *Application:* This Condition 7 (*Floating Rate Note and Index-Linked Interest Note Provisions*) is applicable to the Notes only if the Floating Rate Note Provisions or the Index-Linked Interest Note Provisions are specified in the relevant Final Terms as being applicable.
- (b) *Accrual of interest:* The Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 11 (*Payments*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has

received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

- (c) *Screen Rate Determination:* If Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be determined by the Calculation Agent on the following basis:

- (i) if the Reference Rate is a composite quotation or customarily supplied by one entity, the Calculation Agent will determine the Reference Rate which appears on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
- (ii) in any other case, the Calculation Agent will determine the arithmetic mean of the Reference Rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
- (iii) if, in the case of (i) above, such rate does not appear on that page or, in the case of (ii) above, fewer than two such rates appear on that page or if, in either case, the Relevant Screen Page is unavailable, the Calculation Agent will:
  - (A) request the principal Relevant Financial Centre office of each the Reference Banks to provide a quotation of the Reference Rate at approximately the Relevant Time on the Interest Determination Date to prime banks in the Relevant Financial Centre interbank market in an amount that is representative for a single transaction in that market at that time; and
  - (B) determine the arithmetic mean of such quotations; and
- (iv) if fewer than two such quotations are provided as requested, the Calculation Agent will determine the arithmetic mean of the rates (being the nearest to the Reference Rate, as determined by the Calculation Agent) quoted by major banks in the Principal Financial Centre of the Specified Currency, selected by the Calculation Agent, at approximately 11.00 a.m. (local time in the Principal Financial Centre of the Specified Currency) on the first day of the relevant Interest Period for loans in the Specified Currency to leading European banks for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time,

and the Rate of Interest for such Interest Period shall be the sum of the Margin and the rate or (as the case may be) the arithmetic mean so determined; *provided, however, that* if the Calculation Agent is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Interest Period, the Rate of Interest applicable to the Notes during such Interest Period will be the sum of the Margin and the rate or (as the case may be) the arithmetic mean last determined in relation to the Notes in respect of a preceding Interest Period.

- (d) *ISDA Determination:* If ISDA Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be the sum of the Margin and the relevant ISDA Rate where "ISDA Rate" in relation to any Interest Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as Calculation Agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

- (i) the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the relevant Final Terms;
- (ii) the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the relevant Final Terms; and
- (iii) the relevant Reset Date (as defined in the ISDA Definitions) is either (A) if the relevant Floating Rate Option is based on the London inter-bank offered rate (LIBOR)

for a currency, the first day of that Interest Period or (B) in any other case, as specified in the relevant Final Terms.

- (e) *Index-Linked Interest:* If the Index-Linked Interest Note Provisions are specified in the relevant Final Terms as being applicable, the Rate(s) of Interest applicable to the Notes for each Interest Period will be determined in the manner specified in the relevant Final Terms.
- (f) *Maximum or Minimum Rate of Interest:* If any Maximum Rate of Interest or Minimum Rate of Interest is specified in the relevant Final Terms, then the Rate of Interest shall in no event be greater than the maximum or be less than the minimum so specified.
- (g) *Calculation of Interest Amount:* The Calculation Agent will, as soon as practicable after the time at which the Rate of Interest is to be determined in relation to each Interest Period, calculate the Interest Amount payable in respect of each Note for such Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of the relevant note divided by the Calculation amount. For this purpose a "**sub-unit**" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.
- (h) *Calculation of other amounts:* If the relevant Final Terms specifies that any other amount is to be calculated by the Calculation Agent, the Calculation Agent will, as soon as practicable after the time or times at which any such amount is to be determined, calculate the relevant amount. The relevant amount will be calculated by the Calculation Agent in the manner specified in the relevant Final Terms.
- (i) *Publication:* The Calculation Agent will cause each Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Paying Agents and each listing authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation as soon as practicable after such determination but (in the case of each Rate of Interest, Interest Amount and Interest Payment Date) in any event not later than the first day of the relevant Interest Period. Notice thereof shall also promptly be given to the Noteholders. The Calculation Agent will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) in the event of an extension or shortening of the relevant Interest Period. If the Calculation Amount is less than the minimum Specified Denomination the Calculation Agent shall not be obliged to publish each Interest Amount but instead may publish only the Calculation Amount and the Interest Amount in respect of a Note having the minimum Specified Denomination.
- (j) *Notifications etc:* All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition by the Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Paying Agents, the Noteholders and the Couponholders and (subject as aforesaid) no liability to any such Person will attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

#### 8. **Zero Coupon Note Provisions**

- (a) *Application:* This Condition 8 (*Zero Coupon Note Provisions*) is applicable to the Notes only if the Zero Coupon Note Provisions are specified in the relevant Final Terms as being applicable.
- (b) *Late payment on Zero Coupon Notes:* If the Redemption Amount payable in respect of any Zero Coupon Note is improperly withheld or refused, the Redemption Amount shall thereafter be an amount equal to the sum of:
  - (i) the Reference Price; and
  - (ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price on the basis of the relevant Day Count Fraction from (and including) the Issue Date to (but excluding) whichever is the earlier of (i) the day on which all

sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

**9. Dual Currency Note Provisions**

- (a) *Application:* This Condition 9 (*Dual Currency Note Provisions*) is applicable to the Notes only if the Dual Currency Note Provisions are specified in the relevant Final Terms as being applicable.
- (b) *Rate of Interest:* If the rate or amount of interest falls to be determined by reference to an exchange rate, the rate or amount of interest payable shall be determined in the manner specified in the relevant Final Terms.

**10. Redemption and Purchase**

- (a) *Scheduled redemption:* Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their Final Redemption Amount on the Maturity Date, subject as provided in Condition 11 (*Payments*).
- (b) *Redemption for tax reasons:* The Notes may be redeemed at the option of the Issuer in whole, but not in part:
  - (i) at any time (if neither the Floating Rate Note Provisions or the Index-Linked Interest Note Provisions are specified in the relevant Final Terms as being applicable); or
  - (ii) on any Interest Payment Date (if the Floating Rate Note Provisions or the Index-Linked Interest Note Provisions are specified in the relevant Final Terms as being applicable),

on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable), at their Early Redemption Amount (Tax), together with interest accrued (if any) to the date fixed for redemption, if:

- (A) (x) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 12 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of The Netherlands or the United States of America or the United Kingdom or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the date of issue of the first Tranche of the Notes; and (y) such obligation cannot be avoided by the Issuer taking reasonable measures available to it; or
- (B) the Issuer shall determine that any payment made outside the United States by the Issuer or any Paying Agents in respect of any Note or Coupon appertaining thereto would, under any present or future laws or regulations of the United States affecting taxation or otherwise, be subject to any certification, information or other reporting requirement of U.S. law or regulation with regard to the nationality, residence or identity of a beneficial owner, who is not a U.S. Person, of such instrument or Coupon (other than a requirement that: (x) would not be applicable to a payment made (1) directly to the beneficial owner or (2) to a custodian, nominee or other agent of the beneficial owner; or (y) could be satisfied by the holder, custodian, nominee or other agent certifying that the beneficial owner is not a U.S. Person, *provided, however, that* in each case referred to in (x)(2) or (y) payment by any such custodian, nominee or agent to the beneficial owner is not otherwise subject to any requirement referred to in this sentence; or (z) would not be applicable to a payment made by at least one paying agent),

*provided, however, that* no such notice of redemption shall be given earlier than:

- (1) where the Notes may be redeemed at any time, 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Notes were then due; or
- (2) where the Notes may be redeemed only on an Interest Payment Date, 60 days prior to the Interest Payment Date occurring immediately before the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Notes were then due.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Fiscal Agent (A) a certificate signed by two members of the Board of Management of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred of and (B) (in the case of redemption under Condition 10(b)(A)) an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment. Upon the expiry of any such notice as is referred to in this Condition 10(b), the Issuer shall be bound to redeem the Notes in accordance with this Condition 10(b).

- (c) *Redemption at the option of the Issuer:* If the Call Option is specified in the relevant Final Terms as being applicable, the Notes may be redeemed at the option of the Issuer in whole or, if so specified in the relevant Final Terms, in part on any Optional Redemption Date (Call) at the relevant Optional Redemption Amount (Call) on the Issuer giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable and shall oblige the Issuer to redeem the Notes or, as the case may be, the Notes specified in such notice on the relevant Optional Redemption Date (Call) at the Optional Redemption Amount (Call) plus accrued interest (if any) to such date).
- (d) *Partial redemption:* If the Notes are to be redeemed in part only on any date in accordance with Condition 10(c) (*Redemption at the option of the Issuer*), the Notes to be redeemed shall be selected by the drawing of lots in such place and in such manner as may be fair and reasonable in the circumstances, taking into account prevailing market practices, subject to compliance with applicable law and the rules of each listing authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation, and the notice to Noteholders referred to in Condition 10(c) (*Redemption at the option of the Issuer*) shall specify the serial numbers of the Notes so to be redeemed. If any Maximum Redemption Amount or Minimum Redemption Amount is specified in the relevant Final Terms, then the Optional Redemption Amount (Call) shall in no event be greater than the maximum or be less than the minimum so specified.
- (e) *Redemption at the option of Noteholders:* If the Put Option is specified in the relevant Final Terms as being applicable, the Issuer shall, at the option of the holder of any Note, redeem such Note on the Optional Redemption Date (Put) specified in the relevant Put Option Notice at the relevant Optional Redemption Amount (Put) together with interest (if any) accrued to such date. In order to exercise the option contained in this Condition 10(e), the holder of a Note must, not less than 30 nor more than 60 days before the relevant Optional Redemption Date (Put), deposit with any Paying Agent such Note together with all unmatured Coupons relating thereto and a duly completed Put Option Notice in the form obtainable from any Paying Agent. The Paying Agent with which a Note is so deposited shall deliver a duly completed Put Option Receipt to the depositing Noteholder. No Note, once deposited with a duly completed Put Option Notice in accordance with this Condition 10(e), may be withdrawn; *provided, however, that* if, prior to the relevant Optional Redemption Date (Put), any such Note becomes immediately due and payable or, upon due presentation of any such Note on the relevant Optional Redemption Date (Put), payment of the redemption moneys is improperly withheld or refused, the relevant Paying Agent shall mail notification thereof to the depositing Noteholder at such address as may have been given by such Noteholder in the relevant Put Option Notice and shall hold such Note at its Specified Office for collection by the depositing Noteholder against surrender of the relevant Put Option Receipt. For so long as any outstanding Note is held by a Paying Agent in accordance with this Condition 10(e), the depositor of such Note and not such Paying Agent shall be deemed to be the holder of such Note for all purposes.

- (f) *No other redemption:* The Issuer shall not be entitled to redeem the Notes otherwise than as provided in paragraphs (a) to (e) above.
- (g) *Early redemption of Zero Coupon Notes:* Unless otherwise specified in the relevant Final Terms, the Redemption Amount payable on redemption of a Zero Coupon Note at any time before the Maturity Date shall be an amount equal to the sum of:
  - (i) the Reference Price; and
  - (ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which the Note becomes due and payable.

Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of such Day Count Fraction as may be specified in the Final Terms for the purposes of this Condition 10(g) or, if none is so specified, a Day Count Fraction of 30E/360.

- (h) *Purchase:* The Issuer or any of its Subsidiaries may at any time purchase Notes in the open market or otherwise and at any price, provided that all unmatured Coupons are purchased therewith.
- (i) *Cancellation:* All Notes so redeemed or purchased by the Issuer or any of its Subsidiaries and any unmatured Coupons attached to or surrendered with them shall be cancelled and may not be reissued or resold.

## 11. **Payments**

- (a) *Principal:* Payments of principal shall be made only against presentation and (provided that payment is made in full) surrender of Notes at the Specified Office of any Paying Agent outside the United States by cheque drawn in the currency in which the payment is due on, or by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency (in the case of a sterling cheque, a town clearing branch of a bank in the City of London). No payments on Notes will be made by mail to an address in the United States of America or by transfer to an account maintained in the United States of America.
- (b) *Interest:* Payments of interest shall, subject to paragraph (h) below, be made only against presentation and (provided that payment is made in full) surrender of the appropriate Coupons at the Specified Office of any Paying Agent outside the United States in the manner described in paragraph (a) above.
- (c) *Payments in The City of New York:* Payments of principal or interest in U.S. dollars may be made at the Specified Office of a Paying Agent in The City of New York if (i) the Issuer has appointed Paying Agents outside the United States with the reasonable expectation that such Paying Agents will be able to make payment of the full amount of the interest on the Notes in U.S. dollars when due, (ii) payment of the full amount of such interest in U.S. dollars at the offices of all such Paying Agents is illegal or effectively precluded by exchange controls or other similar restrictions and (iii) payment is permitted by applicable United States law.
- (d) *Payments subject to fiscal laws:* All payments in respect of the Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 12 (*Taxation*). No commissions or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.
- (e) *Deductions for unmatured Coupons:* If the relevant Final Terms specifies that the Fixed Rate Note Provisions are applicable and a Note is presented without all unmatured Coupons relating thereto:
  - (i) if the aggregate amount of the missing Coupons is less than or equal to the amount of principal due for payment, a sum equal to the aggregate amount of the missing Coupons will be deducted from the amount of principal due for payment; *provided, however, that* if the gross amount available for payment is less than the amount of



principal due for payment, the sum deducted will be that proportion of the aggregate amount of such missing Coupons which the gross amount actually available for payment bears to the amount of principal due for payment;

- (ii) if the aggregate amount of the missing Coupons is greater than the amount of principal due for payment:
  - (A) so many of such missing Coupons shall become void (in inverse order of maturity) as will result in the aggregate amount of the remainder of such missing Coupons (the "**Relevant Coupons**") being equal to the amount of principal due for payment; *provided, however, that* where this sub-paragraph would otherwise require a fraction of a missing Coupon to become void, such missing Coupon shall become void in its entirety; and
  - (B) a sum equal to the aggregate amount of the Relevant Coupons (or, if less, the amount of principal due for payment) will be deducted from the amount of principal due for payment; *provided, however, that*, if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of the Relevant Coupons (or, as the case may be, the amount of principal due for payment) which the gross amount actually available for payment bears to the amount of principal due for payment.

Each sum of principal so deducted shall be paid in the manner provided in paragraph (a) above against presentation and (provided that payment is made in full) surrender of the relevant missing Coupons.

- (f) *Unmatured Coupons void:* If the relevant Final Terms specifies that this Condition 11(f) is applicable or that the Floating Rate Note Provisions or the Index-Linked Interest Note Provisions are applicable, on the due date for final redemption of any Note or early redemption of such Note pursuant to Condition 10(b) (*Redemption for tax reasons*), Condition 10(e) (*Redemption at the option of Noteholders*), Condition 10(c) (*Redemption at the option of the Issuer*) or Condition 13 (*Events of Default*), all unmatured Coupons relating thereto (whether or not still attached) shall become void and no payment will be made in respect thereof.
- (g) *Payments on Business Days:* If the due date for payment of any amount in respect of any Note or Coupon is not a Payment Business Day in the place of presentation, the holder shall not be entitled to payment in such place of the amount due until the next succeeding Payment Business Day in such place and shall not be entitled to any further interest or other payment in respect of any such delay.
- (h) *Payments other than in respect of matured Coupons:* Payments of interest other than in respect of matured Coupons shall be made only against presentation of the relevant Notes at the Specified Office of any Paying Agent outside the United States (or in The City of New York if permitted by paragraph (c) above).
- (i) *Partial payments:* If a Paying Agent makes a partial payment in respect of any Note or Coupon presented to it for payment, such Paying Agent will endorse thereon a statement indicating the amount and date of such payment.
- (j) *Exchange of Talons:* On or after the maturity date of the final Coupon which is (or was at the time of issue) part of a Coupon Sheet relating to the Notes, the Talon forming part of such Coupon Sheet may be exchanged at the Specified Office of the Fiscal Agent or at the office of the Paying Agent in London for a further Coupon Sheet (including, if appropriate, a further Talon but excluding any Coupons in respect of which claims have already become void pursuant to Condition 14 (*Prescription*)). Upon the due date for redemption of any Note, any unexchanged Talon relating to such Note shall become void and no Coupon will be delivered in respect of such Talon.

## 12. **Taxation**

- (a) *Gross up:* All payments of principal and interest in respect of the Notes and the Coupons by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of

whatever nature imposed, levied, collected, withheld or assessed by or on behalf of The Netherlands, the United States of America or the United Kingdom or any political subdivision therein or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments, or governmental charges is required by law. In that event, the Issuer shall pay such additional amounts as will result in receipt by the Noteholders and the Couponholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Note or Coupon presented for payment:

- (i) by or on behalf of a holder which is liable for such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of its having some connection with the jurisdiction by which such taxes, duties, assessments or charges have been imposed, levied, collected, withheld or assessed other than the mere holding of the Note or Coupon; or
  - (ii) where such withholding or deduction is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or
  - (iii) by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note or Coupon to another Paying Agent in a Member State of the EU; or
  - (iv) more than 30 days after the Relevant Date except to the extent that the holder of such Note or Coupon would have been entitled to such additional amounts on presenting such Note or Coupon for payment on the last day of such period of 30 days;
  - (v) where such withholding or deduction would not have been imposed but for the holder's past or present status as a personal holding company, foreign personal holding company or passive foreign investment company with respect to the United States or a corporation that accumulates earnings to avoid U.S. federal income tax; or
  - (vi) where such withholding or deduction would not have been imposed but for the holder's past or present status as a "10 per cent. shareholder" of the obligor of the Note as defined in Section 871(h)(3) of the U.S. Internal Revenue Code or any successor provisions, a controlled foreign corporation related to the obligor of the Note or a bank that has invested in the Note as an extension of credit in the ordinary course of its trade or business.
- (b) *Taxing jurisdiction:* If the Issuer becomes subject at any time to any taxing jurisdiction other than The Netherlands (in the case of PFE) or the United Kingdom (in the case of PFP) references in these Conditions to The Netherlands or the United Kingdom (as relevant) shall be construed as references to The Netherlands or the United Kingdom and/or such other jurisdiction.

### 13. **Events of Default**

If any of the following events occurs and is continuing:

- (a) *Non-payment:* the Issuer fails to pay any amount of principal in respect of the Notes on the due date for payment thereof or fails to pay any amount of interest in respect of the Notes within 14 days of the due date for payment thereof; or
- (b) *Breach of other obligations:* the Issuer defaults in the performance or observance of any of its other obligations under or in respect of the Notes and such default remains unremedied for 30 days after written notice thereof, addressed to the Issuer by any Noteholder has been delivered to the Issuer or to the Specified Office of the Fiscal Agent; or
- (c) *Cross-default of Issuer:* the Issuer defaults under any Indebtedness, whether such Indebtedness now exists or shall hereafter be created, which default shall have resulted in Indebtedness in an aggregate principal amount exceeding €10,000,000 (or its equivalent in any other currency or currencies) (except that such euro amount shall not

apply with respect to a default with respect to Notes of any other Series), becoming or being declared due and payable prior to the date on which it would otherwise have become due and payable, without such acceleration having been rescinded or annulled or such Indebtedness having been discharged within a period of 30 days after there shall have been given, by registered or certified mail, to the Issuer by any Noteholder, a written notice specifying such default and requiring the Issuer to cause such acceleration to be rescinded or annulled or such Indebtedness to be discharged and stating that such notice is a "Notice of Default" under this Condition 13(c); or

- (d) *Security enforced:* a secured party or encumbrancer takes possession, or a receiver, manager or other similar officer is appointed, of the whole or a substantial part of the undertaking, assets and revenues of the Issuer or any of its Subsidiaries; or
- (e) *Insolvency etc:* (i) the Issuer becomes insolvent or admits in writing that it is unable to pay its debts as they fall due, (ii) an administrator (including a *bewindvoerder*) or liquidator (including a curator) of the Issuer or the whole or a substantial part of the undertaking, assets and revenues of the Issuer is appointed (or application for any such appointment is made including an application for the Issuer to be declared bankrupt (*failliet*) or to be granted a moratorium of payments (*surseance van betaling*), unless such application is contested by the Issuer and/or discharged or stayed within 90 days or is cancelled or withdrawn within 90 days after the making thereof), (iii) the Issuer takes any action for a readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition (*verag*) with or for the benefit of its creditors or declares a moratorium in respect of any of its Indebtedness; or
- (f) *Winding up etc:* an order is made or an effective resolution is passed for the winding up, liquidation or dissolution (*ontbinding en vereffening*) of the Issuer or any of its Subsidiaries (otherwise than, in the case of a Subsidiary of the Issuer, for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent); or
- (g) *Attachment etc:* an executory attachment (*executorial beslag*) or interlocutory attachment (*conservatoir beslag*) is made on all or a substantial part of the assets of the Issuer, or a similar measure under foreign law is made, unless such application is contested by the Issuer and/or discharged or stayed within 90 days, or is cancelled or withdrawn within 90 days after the making thereof; or
- (h) *Enforcement proceedings:* a distress, attachment, execution or other legal process is levied, enforced or sued out on or against the whole or a substantial part of the property, assets or revenues of the Issuer or any of its Subsidiaries and is not discharged or stayed within 90 days,
- (i) *Keep Well Agreement etc. not in force:* the Keep Well Agreement is not (or is claimed by either party thereto not to be) in full force and effect or is modified, amended or terminated in contravention of the provisions thereof, or the Issuer waives, or fails to take all reasonable steps to exercise, any of its rights under the Keep Well Agreement or PACCAR or the Issuer fails to perform or observe any obligation on its part under the Keep Well Agreement so as to affect materially and adversely the interests of any Noteholder or Couponholder;

then any outstanding Notes of a particular Series may by written notice, addressed by any Noteholder, delivered to the Issuer or to the Specified Office of the Fiscal Agent, be declared immediately due and payable, whereupon they shall become immediately due and payable at their Early Termination Amount together with accrued interest (if any) without further action or formality. Upon payment of the Early Termination Amount, all obligations of the Issuer in respect of payment of the principal amount of the Notes of such Series shall terminate.

#### 14. **Prescription**

Claims for principal shall become void unless the relevant Notes are presented for payment within ten years of the appropriate Relevant Date. Claims for interest shall become void unless the relevant Coupons are presented for payment within five years of the appropriate Relevant Date.

15. **Replacement of Notes and Coupons**

If any Note or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Fiscal Agent (and, if the Notes are then admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent in any particular place, the Paying Agent having its Specified Office in the place required by such listing authority, stock exchange and/or quotation system), subject to all applicable laws and listing authority, stock exchange and/or quotation system requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Notes or Coupons must be surrendered before replacements will be issued.

16. **Agents**

In acting under the Agency Agreement and in connection with the Notes and the Coupons, the Paying Agents act solely as agents of the Issuer and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders or Couponholders.

The initial Paying Agents and their initial Specified Offices are listed below. The initial Calculation Agent (if any) is specified in the relevant Final Terms. The Issuer reserves the right at any time to vary or terminate the appointment of any Paying Agent and to appoint a successor fiscal agent or Calculation Agent and additional or successor paying agents; *provided, however, that*:

- (a) the Issuer shall at all times maintain a Fiscal Agent; and
- (b) the Issuer undertakes that it will ensure that it maintains a paying agent in an EU Member State that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive; and
- (c) if a Calculation Agent is specified in the relevant Final Terms, the Issuer shall at all times maintain a Calculation Agent; and
- (d) if and for so long as the Notes are admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent in any particular place, the Issuer shall maintain a Paying Agent having its Specified Office in the place required by such listing authority, stock exchange and/or quotation system.

In addition, the Issuer shall forthwith appoint a Paying Agent in New York City in respect of any Notes denominated in U.S. dollars in the circumstances described in Condition 11(c).

Notice of any change in any of the Paying Agents or in their Specified Offices shall promptly be given to the Noteholders.

17. **Meetings of Noteholders; Modification and Waiver**

- (a) *Meetings of Noteholders*: The Agency Agreement contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of these Conditions. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer and shall be convened by them upon the request in writing of Noteholders holding not less than one-tenth of the aggregate principal amount of the outstanding Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more Persons holding or representing one more than half of the aggregate principal amount of the outstanding Notes or, at any adjourned meeting, two or more Persons being or representing Noteholders whatever the principal amount of the Notes held or represented; *provided, however, that* Reserved Matters may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which two or more Persons holding or representing not less than three-quarters or, at any adjourned meeting, one quarter of the aggregate principal amount of the outstanding Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders and Couponholders, whether present or not.

In addition, a resolution in writing signed by or on behalf of all Noteholders who for the time being are entitled to receive notice of a meeting of Noteholders will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

- (b) *Modification:* The Notes and these Conditions may be amended without the consent of the Noteholders or the Couponholders to correct a manifest error. In addition, the parties to the Agency Agreement may agree to modify any provision thereof, but the Issuer shall not agree, without the consent of the Noteholders, to any such modification unless it is of a formal, minor or technical nature, it is made to correct a manifest error or it is, in the opinion of the Issuer, not materially prejudicial to the interests of the Noteholders.

18. **Further Issues**

The Issuer may from time to time, without the consent of the Noteholders or the Couponholders, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Notes.

19. **Notices**

Notices to the Noteholders shall be valid if published in a leading English language daily newspaper published in London (which is expected to be the Financial Times) or, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe. Any such notice shall be deemed to have been given on the date of first publication. Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Noteholders.

20. **Currency Indemnity**

If any sum due from the Issuer in respect of the Notes or the Coupons or any order or judgment given or made in relation thereto has to be converted from the currency (the "**first currency**") in which the same is payable under these Conditions or such order or judgment into another currency (the "**second currency**") for the purpose of (a) making or filing a claim or proof against the Issuer, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in relation to the Notes, the Issuer shall indemnify each Noteholder, on the written demand of such Noteholder addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent, against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which such Noteholder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof.

This indemnity constitutes a separate and independent obligation of the Issuer, shall give rise to a separate and independent cause of action and shall continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under the Note or Coupon or any other judgment or order.

21. **Rounding**

For the purposes of any calculations referred to in these Conditions (unless otherwise specified in these Conditions or the relevant Final Terms), (a) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, (b) U.S. dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one half cent being rounded up), (c) all Japanese Yen amounts used in or resulting from such calculations will be rounded downwards to the next lower whole Japanese Yen amount, and (d) all amounts denominated in any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency, with 0.005 being rounded upwards.

22. **Governing Law and Jurisdiction**

- (a) *Governing law:* The Notes and any non-contractual obligations arising out of or in connection with the Notes are governed by English law.

- (b) *English courts:* The courts of England have exclusive jurisdiction to settle any dispute (a "**Dispute**") arising from or connected with the Notes (including a dispute relating to the existence, validity or termination of the Notes or any non-contractual obligation arising out of or in connection with the Notes) or the consequences of their nullity.
- (c) *Appropriate forum:* The Issuer agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary.
- (d) *Rights of the Noteholders to take proceedings outside England:* Condition 22(b) (*English courts*) is for the benefit of the Noteholders only. As a result, nothing in this Condition 22 (*Governing law and jurisdiction*) prevents any Noteholder from taking proceedings relating to a Dispute ("**Proceedings**") in any other courts with jurisdiction. To the extent allowed by law, Noteholders may take concurrent Proceedings in any number of jurisdictions.
- (e) *Process agent:* PFE agrees that the documents which start any Proceedings and any other documents required to be served in relation to those Proceedings may be served on it by being delivered to PFP at Croston Road, Leyland, Preston, Lancs PR5 3LZ, United Kingdom or, if different, its registered office for the time being or at any address of PFE in Great Britain at which process may be served on it in accordance with Part XXIII of the Companies Act 1985. If such Person is not or ceases to be effectively appointed to accept service of process on behalf of PFE, PFE shall, on the written demand of any Noteholder addressed and delivered to PFE or to the Specified Office of the Fiscal Agent appoint a further Person in England to accept service of process on its behalf and, failing such appointment within 15 days, any Noteholder shall be entitled to appoint such a Person by written notice addressed to PFE and delivered to PFE or to the Specified Office of the Fiscal Agent. Nothing in this paragraph shall affect the right of any Noteholder to serve process in any other manner permitted by law. This Condition applies to Proceedings in England and to Proceedings elsewhere.

## **KEEP WELL AGREEMENTS**

PACCAR and PFE have entered into a keep well agreement dated 18 July 2001 and PACCAR and PFE have entered into a substantially identical keep well agreement dated 23 January 2002, in each case governed by the laws of the State of Delaware (collectively, the "**Keep Well Agreements**")

The following is a summary of the principal provisions of the Keep Well Agreements:

### **Stock Ownership**

PACCAR represents that it owns indirectly 100% of the voting stock of the relevant Issuer and undertakes and agrees that it will continue to hold and own, directly or indirectly, all the voting stock of such Issuer. PACCAR will not directly or indirectly pledge or in any way encumber or otherwise dispose of any such shares of stock so long as such Issuer has any outstanding indebtedness for borrowed money, including bank loans, bonds, debentures, notes and other investment securities and commercial paper ("**Debt**," for the purposes of this section).

### **Maintenance of Net Worth**

In relation to the keep well agreement as entered into between PACCAR and PFE, PACCAR agrees that at all times during the term of the Keep Well Agreement it shall cause PFE to have a consolidated tangible net worth, as determined in accordance with the generally accepted accounting principles in the United States of America, of at least €100,000. Tangible net worth means the shareholders' equity, including share capital, any capital surplus, any reserves and retained earnings, less any intangible assets.

### **Maintenance of Liquidity**

If an Issuer at any time determines that it will run short of cash or other liquid assets to meet its payment obligations on any Debt, PACCAR will make available to such Issuer before the due date in respect of such Debt, funds sufficient to enable it to pay such payment obligations in full as they fall due. The relevant Issuer will use such funds made available to it by PACCAR solely for the payment of such payment obligations when they fall due.

### **Modification, Amendment and Termination**

Each Keep Well Agreement may be terminated by either party thereto upon giving to the other party 30 days prior written notice, and they may be modified, amended or terminated by the written agreement of the parties thereto.

### **Protection of Existing Debt Holders**

No modification, amendment or termination of a Keep Well Agreement shall adversely affect any holder of the relevant Issuer's Debt outstanding at the time of such modification, amendment or termination, and holders of such Debt shall continue to enjoy the benefits of the relevant Keep Well Agreement as it existed prior to such modification, amendment or termination.

### **Disclaimer of Guarantee**

The Keep Well Agreements are not, and nothing therein contained or done pursuant thereto by PACCAR shall be deemed to constitute, a PACCAR guarantee of the payment of any indebtedness, liability or obligation of any kind or character of the Issuers.

### **Enforceability**

The obligations of PACCAR to the Issuers pursuant to the Keep Well Agreements are to the relevant Issuer only and do not run to, and are not enforceable directly by, any creditor of the Issuers; nor shall the Keep Well Agreements cause PACCAR to be responsible for the payment of any obligation of the Issuers to any creditor thereof; *provided, however, that* any Lender to an Issuer shall have the right to demand that such Issuer enforce its rights under the relevant Keep Well Agreement, and if the relevant Issuer fails or refuses to take timely action to enforce such rights such Lender may proceed against the relevant Issuer to enforce such Issuer's rights under its Keep Well Agreement. The term "**Lender**" in this paragraph shall mean any person, firm or corporation from who an Issuer is indebted for borrowed money (including the Noteholders) or that is a derivative counterparty to such Issuer.

## FORM OF FINAL TERMS

*The Final Terms in respect of each Tranche of Notes will be substantially in the following form, duly supplemented (if necessary), amended (if necessary) and completed to reflect the particular terms of the relevant Notes and their issue. Text in this section appearing in italics does not form part of the form of the Final Terms but denotes directions for completing the Final Terms.*

Final Terms dated [●]

### **[PACCAR FINANCIAL EUROPE B.V. / PACCAR FINANCIAL PLC]**

*[a private company with limited liability (besloten vennootschap met beperkte aansprakelijkheid) incorporated under the laws of The Netherlands, having its corporate seat at Eindhoven/a public limited company incorporated with limited liability under the laws of England and Wales] (the "Issuer").*

**Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]  
under the €1,500,000,000**

**Euro Medium Term Note Programme**

**with the benefit of Keep Well Agreements with**

**PACCAR Inc**

*(incorporated with limited liability under the laws of Delaware)*

### **PART A - CONTRACTUAL TERMS**

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the base prospectus dated 12 August 2009 [and the supplemental base prospectus dated [●]] which [together] constitute[s] a base prospectus (the "**Base Prospectus**") for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the "**Prospectus Directive**"). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Base Prospectus [as so supplemented].

Full information on the Issuer, PACCAR and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus [as so supplemented]. The Base Prospectus [and the supplemental Base Prospectus] [is] [are] available for viewing [at [website] [and]] during normal business hours at [address] [and copies may be obtained from [address]].

*[The following alternative language applies if the first tranche of an issue which is being increased was issued under a base prospectus with an earlier date and either (1) the Notes which are the subject of the Final Terms are not being (a) offered to the public in a member state (other than pursuant to one or more of the exemptions set out in Article 3.2 of the Prospectus Directive) or (b) admitted to trading on a regulated market in a member state or (2) the Conditions (as defined in the next paragraph) do not contain, by comparison with the Base Prospectus, any "significant new factor" within the meaning of Article 16.1 of the Prospectus Directive. If neither (1) nor (2) applies the Issuer will need to consider effecting the issue by means of a supplement to the Base Prospectus or a stand alone prospectus rather than by Final Terms.*

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the base prospectus dated [original date] [and the supplemental base prospectus dated [●]]. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (the "**Prospectus Directive**") and must be read in conjunction with the base prospectus dated 12 August 2008 [and the supplemental base prospectus dated [●]], which [together] constitute[s] a base prospectus (the "**Base Prospectus**") for the purposes of the Prospectus Directive, save in respect of the Conditions which are extracted from the base prospectus dated [original date] [and the supplemental Base Prospectus dated [●]] and are attached hereto.

Full information on the Issuer, PACCAR and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectuses dated [original date] and [●] [and the supplemental Base Prospectuses dated [●] and [●]]. The Base Prospectuses [and the supplemental Base



Prospectuses] [is] [are] available for viewing [at [website] [and]] during normal business hours at [address] [and copies may be obtained from [address]].

*[Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or subparagraphs. Italics denote directions for completing the Final Terms.]*

*[When completing final terms or adding any other final terms or information, consideration should be given as to whether such terms or information constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.]*

1. (i) Issuer: [ ]
- (ii) Keep Well Provider: PACCAR Inc
2. [(i) [Series Number:] [ ]
- [(ii) [Tranche Number: [ ]
- (If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible).]
3. Specified Currency or Currencies: [ ]
4. Aggregate Nominal Amount of Notes: [ ]
- [(i)] [Series:] [ ]
- [(ii) [Tranche: [ ]]
5. Issue Price: [ ] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date] (in the case of fungible issues only, if applicable)]
6. Specified Denominations: [ ]
- [ ]

*[So long as the Notes are represented by a Temporary Global Note or Permanent Global Note and the relevant clearing system(s) so permit, the Notes will be tradeable only in the minimum Specified Denomination of [•] and integral multiples of [•] in excess thereof up to and including [•] notwithstanding that no Definitive Notes may be issued with a denomination above [-].]*

*[Notes (including Notes denominated in Sterling) in respect of which the issue proceeds are to be accepted by the issuer in the United Kingdom or whose issue otherwise constitutes a contravention of Section 19 of the United Kingdom FSMA and which have a maturity of less than one year must have a minimum redemption value of £100,000 (or its equivalent in other currencies).]*

7. Calculation Amount [ ]
- [If there is more than one Specified Denomination, insert the highest common factor of those Specified Denominations (note there must be a common factor for two or more Specified Denominations).]*
8. (i) Issue Date: [ ]
- (ii) Interest Commencement [Specify/Issue Date/Not Applicable]

Date:

9. Maturity Date: *[Any maturity between nine months and ten years]*  
*[specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year]*  
*[If the Maturity Date is less than one year from the Issue Date and Notes are issued by PFE or, with respect to Notes issued by PFE, either (a) the issue proceeds are received by PFE in the United Kingdom or (b) the activity of issuing the Notes is carried on from an establishment maintained by PFE in the United Kingdom, (i) the Notes must have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be sold only to "professional investors" or (ii) another applicable exemption from Section 19 of the United Kingdom FSMA must be available.]*
10. Interest Basis: *[• % Fixed Rate]*  
*[[specify reference rate] +/- • % Floating Rate]*  
*[Zero Coupon]*  
*[Index-Linked Interest]*  
*[Other (specify)]*  
*(further particulars specified below)*
11. Redemption/Payment Basis: *[Redemption at par]*  
*[Index-Linked Redemption]*  
*[Dual Currency]*  
*[Partly Paid]*  
*[Instalment]*  
*[Other (specify)]*
12. Change of Interest or Redemption/Payment Basis: *[Specify details of any provision for convertibility of Notes into another interest or redemption/ payment basis]*
13. Put/Call Options: *[Investor Put]*  
*[Issuer Call]*  
*[(further particulars specified below)]*
14. (i) Status of the Notes: Senior  
(ii) [Date [Board] approval for issuance of Notes obtained:] [ ]  
*(N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes)*
15. Method of distribution: *[Syndicated/Non-syndicated]*

**PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

16. **Fixed Rate Note Provisions** *[Applicable/Not Applicable]*  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Rate[(s)] of Interest: [ ] per cent. per annum [payable annually/semi-annually/quarterly/monthly/other (specify)] in arrear]
- (ii) Interest Payment Date(s): [ ] in each year [adjusted in accordance with [specify Business Day Convention and any applicable Additional Business Centre(s) for the

		definition of "Business Day"]/not adjusted]
(iii)	Fixed Coupon Amount[(s)]:	[            ] per Calculation Amount
(iv)	Broken Amount(s):	[            ] per Calculation Amount payable on the Interest Payment Date falling [in/on] [            ]
(v)	Day Count Fraction:	[30/360/Actual/Actual (ICMA/ISDA)/other]
(vi)	Other terms relating to the method of calculating interest for Fixed Rate Notes:	[Not Applicable/ <i>give details</i> ]
17.	<b>Floating Rate Note Provisions</b>	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph.)</i>
(i)	Interest Period(s):	[            ]
(ii)	Specified Interest Payment Dates:	[            ]
(iii)	First Interest Payment Date:	[            ]
(iv)	Business Day Convention:	[Floating Rate Convention/ Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention/ other ( <i>give details</i> )]
(v)	Additional Business Centre(s):	[Not Applicable/ <i>give details</i> ]
(vi)	Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination/ other ( <i>give details</i> )]
(vii)	Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Fiscal Agent):	[[ <i>Name</i> ] shall be the Calculation Agent ( <i>no need to specify if the Fiscal Agent is to perform this function</i> )]
(viii)	Screen Rate Determination:	
	- Reference Rate:	[ <i>For example, LIBOR or EURIBOR</i> ]
	- Interest Determination Date(s):	[            ]
	- Relevant Screen Page:	[ <i>For example, Reuters</i> ]
	- Relevant Time:	[ <i>For example, 11.00 a.m. London time/Brussels time</i> ]
	- Relevant Financial Centre:	[ <i>For example, London/Euro-zone (where Euro-zone means the region comprised of the countries whose lawful currency is the euro)</i> ]
(ix)	ISDA Determination:	
	- Floating Rate Option:	[            ]
	- Designated Maturity:	[            ]
	- Reset Date:	[            ]
	- ISDA Definitions: (if	[2000/2006]

different from those  
set out in the  
Conditions)

- |        |   |                               |
|--------|---|-------------------------------|
| (x)    | Margin(s):  | [ +/-][ ] per cent. per annum |
| (xi)   | Minimum Rate of Interest:   | [ ] per cent. per annum       |
| (xii)  | Maximum Rate of Interest:   | [ ] per cent. per annum       |
| (xiii) | Day Count Fraction:   | [ ]                           |
| (xiv)  | Fall back provisions,<br>rounding provisions,<br>denominator and any other<br>terms relating to the method<br>of calculating interest on<br>Floating Rate Notes, if<br>different from those set out in<br>the Conditions: | [ ]                           |
18. **Zero Coupon Note Provisions** [Applicable/Not Applicable]  
(If not applicable, delete the remaining  
subparagraphs of this paragraph)
- |       |   |  |
|-------|---|--|
| (i)   | [Amortisation/Accrual]<br>Yield:                          | [ ] per cent. per annum  |
| (ii)  | Reference Price:  | [ ]  |
| (iii) | Any other formula/basis of<br>determining amount payable: | [Consider whether it is necessary to specify a Day<br>Count Fraction for the purposes of Condition<br>[10(g)]] |
19. **Index-Linked Interest Note Provisions** [Applicable/Not Applicable]  
(If not applicable, delete the remaining  
subparagraphs of this paragraph)
- |       |  |                         |
|-------|--|-------------------------|
| (i)   | Index/Formula:   | [Give or annex details] |
| (ii)  | Party responsible for<br>calculating the Rate(s) of<br>Interest and/or Interest<br>Amount(s) (if not the Fiscal<br>Agent):                                     | [ ]                     |
| (iii) | Provisions for determining<br>Coupon where calculated by<br>reference to Index and/or<br>Formula:  | [ ]                     |
| (iv)  | Interest Determination<br>Date(s)  | [ ]                     |
| (v)   | Provisions for determining<br>Coupon where calculation by<br>reference to Index and/or<br>Formula is impossible or<br>impracticable or otherwise<br>disrupted: | [ ]                     |
| (vi)  | Interest Period(s):  | [ ]                     |
| (vii) | Specified Period(s)/Interest<br>Payment Dates:   | [ ]                     |

	(viii)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/ other ( <i>give details</i> )]
	(ix)	Additional Business Centre(s):	[            ]
	(x)	Minimum Rate of Interest:	[            ] per cent. per annum
	(xi)	Maximum Rate of Interest:	[            ] per cent. per annum
	(xii)	Day Count Fraction:	[            ]
20.		<b>Dual Currency Note Provisions</b>	[Applicable/Not Applicable] ( <i>If not applicable, delete the remaining sub-paragraphs of this paragraph</i> )
	(i)	Rate of Exchange/method of calculating Rate of Exchange:	[ <i>Give details</i> ]
	(ii)	Party, if any, responsible for calculating the principal and/or interest due (if not the Fiscal Agent):	[            ]
	(iii)	Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable:	[            ]
	(iv)	Person at whose option Specified Currency(ies) is/are payable:	[            ]
	(v)	Day Count Fraction:	[            ]
<b>PROVISIONS RELATING TO REDEMPTION</b>			
21.		<b>Call Option</b>	[Applicable/Not Applicable] ( <i>If not applicable, delete the remaining sub-paragraphs of this paragraph</i> )
	(i)	Optional Redemption Date(s) (Call):	[            ]
	(ii)	Optional Redemption Amount(s) (Call) of each Note and method, if any, of calculation of such amount(s):	[    ] per Calculation Amount
	(iii)	If redeemable in part:	
	(a)	Minimum Redemption Amount:	[            ] per Calculation Amount
	(b)	Maximum Redemption Amount:	[            ] per Calculation Amount
	(iv)	Notice period:	[            ]
22.		<b>Put Option</b>	[Applicable/Not Applicable] ( <i>If not applicable, delete the remaining sub-paragraphs of this paragraph</i> )

- (i) Optional Redemption Date(s) (Put): [ ]
- (ii) Optional Redemption Amount(s) (Put) of each Note and method, if any, of calculation of such amount(s): [ ] per Calculation Amount
- (iii) Notice period: [ ]
23. **Final Redemption Amount of each Note** [ ]per Calculation Amount
- In cases where the Final Redemption Amount is Index-Linked:
- (i) Index/Formula: [Give or annex details]
- (ii) Party responsible for calculating the Final Redemption Amount (if not the Fiscal Agent): [ ]
- (iii) Provisions for determining Final Redemption Amount where calculated by reference to Index and/or Formula: [ ]
- (iv) Determination Date(s): [ ]
- (v) Provisions for determining Final Redemption Amount where calculation by reference to Index and/or Formula is impossible or impracticable or otherwise disrupted [Needs to include description of market disruption or settlement disruption events and adjustment provisions]
- (vi) Payment Date: [ ]
- (vii) Minimum Final Redemption Amount: [ ] per Calculation Amount
- (viii) Maximum Final Redemption Amount: [ ] per Calculation Amount
24. **Early Redemption Amount**
- (i) Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on event of default or other early redemption and/or the method of calculating the same (if required or if different from that set out in the Conditions): [Not Applicable (if both the Early Redemption Amount (Tax) and the Early Termination Amount are the principal amount of the Notes/specify the Early Redemption Amount (Tax) and/or the Early Termination Amount if different from the principal amount of the Notes)]
- (ii) Unmatured Coupons to become void upon early redemption: [Yes, Condition 11(f) is applicable/No]

## GENERAL PROVISIONS APPLICABLE TO THE NOTES

25.	Form of Notes:	<p><b>Bearer Notes:</b></p> <p>[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes on [•] days' notice/at anytime/in the limited circumstances specified in the Permanent Global Note.]</p> <p>[Temporary Global Note exchangeable for Definitive Notes on [•] days' notice.]</p> <p><i>[The exchange upon [•] days' notice/at any time options should not be expressed to be applicable if the Specified Denominations referred to in paragraph 6 of these Final Terms are the Specified Denomination and higher integral multiples of another smaller amount in excess thereof.]</i></p>
26.	New Global Note:	[Yes/No]
27.	Additional Financial Centre(s) or other special provisions relating to payment dates:	[Not Applicable/give details. <i>Note that this item relates to the date and place of payment, and not interest period end dates, to which items 16(ii), 17(v) and 19(ix) relate</i> ]
28.	Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):	[Yes/No. <i>If yes, give details</i> ]
29.	Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment:	[Not Applicable/give details]
30.	Details relating to Instalment Notes: amount of each instalment, date on which each payment is to be made:	[Not Applicable/give details]
31.	Consolidation provisions:	[Not Applicable/The provisions in Condition 18 ( <i>Further Issues</i> ) apply]
32.	Other final terms:	[Not Applicable/give details] <i>(When adding any other final terms consideration should be given as to whether such terms constitute a "significant new factor" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)</i>

## DISTRIBUTION

33.	(i) If syndicated, names of Managers:	<p>[Not Applicable/give names]</p> <p><i>(Include names and addresses of entities agreeing to underwrite the issue on a firm commitment basis and names and addresses of the entities agreeing to place the issue without a firm commitment or on a "best efforts" basis if such entities are not the same</i></p>
-----	---------------------------------------	--

*as the Managers.)*

- |      |  |   |
|------|--|---|
| (ii) | Stabilising Manager(s) (if any):               | [Not Applicable/ <i>give name</i> ]             |
| 34.  | If non-syndicated, name and address of Dealer: | [Not Applicable/ <i>give name and address</i> ] |
| 35.  | U.S. Selling Restrictions:                     | D Rules are applicable                          |
| 36.  | Additional selling restrictions:               | [Not Applicable/ <i>give details</i> ]          |

#### **[PURPOSE OF FINAL TERMS**

These Final Terms comprise the final terms required for issue and admission to trading on the Regulated Market of the London Stock Exchange of the Notes described herein pursuant to the €1,500,000,000 Euro Medium Term Note Programme of PACCAR Financial Europe B.V. and PACCAR Financial PLC.]

#### **RESPONSIBILITY**

The Issuer accepts responsibility for the information contained in this Final Terms.

*[(Relevant third party information)* (for example in compliance with Annex XII of the Prospectus Directive Regulation in relation to an index or its components) has been extracted from *(specify source)*. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by *(specify source)*, no facts have been omitted which would render the reproduced information inaccurate or misleading.]

The Issuer declares that, having taken all reasonable care to ensure that such is the case the information contained in these Final Terms is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

Signed on behalf of the Issuer:

By: .....  
Duly authorised



## PART B – OTHER INFORMATION

### 1. LISTING

- (i) Admission to trading: [Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [the Regulated Market of the London Stock Exchange] *[specify other relevant regulated market]* [and admitted to listing on the Official List of the Financial Services Authority/*specify other relevant official list*] with effect from [ ].] [Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on *[specify relevant regulated market]* with effect from [ ].] [Not Applicable.]
- (Where documenting a fungible issue need to be indicate that original Notes are already admitted to trading.)
- (ii) Estimate of total expenses related to admission to trading: [ ]

### 2. RATINGS

- Ratings The Notes to be issued have been rated:
- [S & P: [ ]]  
[Moody's: [ ]]  
[[Other]: [ ]]
- (The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)

### 3. [INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE [ISSUE/OFFER]

*Need to include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement:*

"Save as discussed in "Subscription and Sale," so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer."

*[(When adding any other description, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)]*

### 4. [REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

- [(i) Reasons for the offer [ ]
- (See "Use of Proceeds" on page 76 of the Base Prospectus. If reasons for offer different from making profit and/or hedging certain risks will need to include those reasons here.)]*
- [(ii)] Estimated net proceeds: [ ]
- (If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state*

*amount and sources of other funding.)*

[(iii)] Estimated total expenses: [ ]

*[Include breakdown of expenses.]*

*(Only necessary to include disclosure of net proceeds and total expenses at (ii) and (iii) above where disclosure is included at (i) above.)]*

5. **[FIXED RATE NOTES ONLY - YIELD]**

Indication of yield: [ ]

The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

6. **[INDEX-LINKED NOTES ONLY - PERFORMANCE OF INDEX/FORMULA AND OTHER INFORMATION CONCERNING THE UNDERLYING]**

*Need to include details of where past and future performance and volatility of the index/formula can be obtained. Where the underlying is an index need to include the name of the index and a description if composed by the Issuer and if the index is not composed by the Issuer need to include details of where the information about the index can be obtained. Where the underlying is not an index need to include equivalent information. Include other information concerning the underlying required by Paragraph 4.2 of Annex XII of the Prospectus Directive Regulation.]*

*[(When completing this paragraph, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)]*

The Issuer [intends to provide post-issuance information [specify what information will be reported and where it can be obtained]] [does not intend to provide post-issuance information].

7. **[DUAL CURRENCY NOTES ONLY - PERFORMANCE OF RATE[S] OF EXCHANGE]**

*Need to include details of where past and future performance and volatility of the relevant rate[s] can be obtained.]*

*[(When completing this paragraph, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)]*

8. **OPERATIONAL INFORMATION**

ISIN Code: [ ]

Common Code: [ ]

Any clearing system(s) other than Euroclear Bank S.A./N.V and Clearstream Banking, société anonyme and the relevant identification number(s): [Not Applicable/give name(s) and number(s)]

Delivery: Delivery [against/free of] payment

Names and addresses of initial Paying Agent(s) [ ]

Names and addresses of additional Paying Agent(s) (if any): [ ]

Intended to be held in a manner which would allow Eurosystem [Yes][No]

[Note that the designation "Yes" simply means that

eligibility:

the Notes are intended upon issue to be deposited with Euroclear or Clearstream, Luxembourg as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.] *[Include this text if "Yes" selected in which case the Notes must be issued in NGN form].*

## **SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM**

### **Clearing System Accountholders**

Each Global Note will be in bearer form. Consequently, in relation to any Tranche of Notes represented by a Global Note, references in the Terms and Conditions of the Notes to "Noteholder" are references to the bearer of the relevant Global Note which, for so long as the Global Note is held by a depositary or a common depositary in the case of a CGN, or a common safekeeper, in the case of an NGN, for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, will be that depositary or common depositary or, as the case may be, common safekeeper.

Each of the persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Global Note (each an "**Accountholder**") must look solely to Euroclear and/or Clearstream, Luxembourg and/or such other relevant clearing system (as the case may be) for such Accountholder's share of each payment made by the relevant Issuer to the bearer of such Global Note and in relation to all other rights arising under the Global Note. The extent to which, and the manner in which, Accountholders may exercise any rights arising under the Global Note will be determined by the respective rules and procedures of Euroclear and Clearstream, Luxembourg and any other relevant clearing system from time to time. For so long as the relevant Notes are represented by the Global Note, Accountholders shall have no claim directly against the relevant Issuer in respect of payments due under the Notes and such obligations of such Issuer will be discharged by payment to the bearer of the Global Note. Further, only the Fiscal Agent (but no other Paying Agents) will have payment obligations for so long as the relevant Notes are represented by the Global Notes.

### **Denominations**

So long as the Notes are represented by a Temporary Global Note or Permanent Global Note and the relevant clearing system(s) so permit, the Notes may be tradable only in the minimum authorised denomination of €50,000 and higher integral multiples of another smaller amount, notwithstanding that no Definitive Notes will be issued with a denomination above a specified level.

### **Exchange of Temporary Global Notes**

Whenever any interest in a Temporary Global Note is to be exchanged for an interest in a Permanent Global Note, the relevant Issuer shall procure:

- (a) in the case of first exchange, the prompt delivery (free of charge to the bearer) of such Permanent Global Note, duly authenticated and, in the case of an NGN, effectuated, to the bearer of the Temporary Global Note; or
- (b) in the case of any subsequent exchange, an increase in the principal amount of such Permanent Global Note in accordance with its terms,

in each case in an aggregate principal amount equal to the aggregate of the principal amounts specified in the certificates issued by Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and received by the Fiscal Agent against presentation and (in the case of final exchange) surrender of the Temporary Global Note to or to the order of the Fiscal Agent within seven days of the bearer requesting such exchange.

Whenever a Temporary Global Note is to be exchanged for Definitive Notes, the relevant Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Temporary Global Note to the bearer of the Temporary Global Note against the surrender of the Temporary Global Note to or to the order of the Fiscal Agent within 30 days of the bearer requesting such exchange, provided that such exchange shall be made not earlier than 40 days after the later of the commencement of the offer and the issue date of the relevant Tranche of Notes upon certification as to non-U.S. beneficial ownership.

If:

- (a) a Permanent Global Note has not been delivered or the principal amount thereof has not been increased by 5.00 p.m. (London time) on the seventh day after the bearer of a Temporary

Global Note has requested exchange of an interest in the Temporary Global Note for an interest in a Permanent Global Note; or

- (b) Definitive Notes have not been delivered by 5.00 p.m. (London time) on the thirtieth day after the bearer of a Temporary Global Note has requested exchange of the Temporary Global Note for Definitive Notes; or
- (c) a Temporary Global Note (or any part thereof) has become due and payable in accordance with the Terms and Conditions of the Notes or the date for final redemption of a Temporary Global Note has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer of the Temporary Global Note in accordance with the terms of the Temporary Global Note on the due date for payment,

then the Temporary Global Note (including the obligation to deliver a Permanent Global Note or increase the principal amount thereof or deliver Definitive Notes, as the case may be) will become void at 5.00 p.m. (London time) on such seventh day (in the case of (a) above) or at 5.00 p.m. (London time) on such thirtieth day (in the case of (b) above) or at 5.00 p.m. (London time) on such due date (in the case of (c) above) and the bearer of the Temporary Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Temporary Global Note or others may have under a deed of covenant dated 12 August 2009 given by PACCAR Financial Europe B.V. or a deed of covenant dated 12 August 2009 given by PACCAR Financial PLC in respect of Notes issued by PACCAR Financial Europe B.V. or PACCAR Financial PLC, respectively, (each a "**Deed of Covenant**", and together the "**Deeds of Covenant**"). Under the relevant Deed of Covenant, persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Temporary Global Note will acquire directly against the relevant Issuer all those rights to which they would have been entitled if, immediately before the Temporary Global Note became void, they had been the holders of Definitive Notes in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

#### **Exchange of Permanent Global Notes**

Whenever a Permanent Global Note is to be exchanged for Definitive Notes, the relevant Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note to or to the order of the Fiscal Agent within 30 days of the bearer requesting such exchange.

If:

- (a) Definitive Notes have not been delivered by 5.00 p.m. (London time) on the thirtieth day after the bearer of a Permanent Global Note has duly requested exchange of the Permanent Global Note for Definitive Notes; or
- (b) a Permanent Global Note (or any part of it) has become due and payable in accordance with the Terms and Conditions of the Notes or the date for final redemption of the Notes has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer of the Permanent Global Note in accordance with the terms of the Permanent Global Note on the due date for payment,

then the Permanent Global Note (including the obligation to deliver Definitive Notes) will become void at 5.00 p.m. (London time) on such thirtieth day (in the case of (a) above) or at 5.00 p.m. (London time) on such due date (in the case of (b) above) and the bearer of the Permanent Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Permanent Global Note or others may have under the Deed of Covenant). Under the Deed of Covenant, persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Permanent Global Note will acquire directly against the relevant Issuer all those rights to which they would have been entitled if, immediately before the Permanent Global Note became void, they had been the holders of Definitive Notes in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

## Conditions applicable to Global Notes

Each Global Note will contain provisions which modify the Terms and Conditions of the Notes as they apply to the Global Note. The following is a summary of certain of those provisions:

*Payments:* All payments in respect of the Global Note will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the Global Note to or to the order of any Paying Agent and will be effective to satisfy and discharge the corresponding liabilities of the relevant Issuer in respect of the Notes. On each occasion on which a payment of principal or interest is made in respect of the Global Note, the relevant Issuer shall procure that in respect of a CGN the payment is noted in a schedule thereto and in respect of an NGN the payment is entered pro rata in the records of Euroclear and Clearstream, Luxembourg. Any failure to make the entries in the records of the relevant clearing system shall not affect such discharge.

*Exercise of put option:* In order to exercise the option contained in Condition 10(e) (*Redemption at the option of Noteholders*) the bearer of the Permanent Global Note must, within the period specified in the Conditions for the deposit of the relevant Note and put notice, give written notice of such exercise to the Fiscal Agent specifying the principal amount of Notes in respect of which such option is being exercised. Any such notice will be irrevocable and may not be withdrawn.

*Partial exercise of call option:* In connection with an exercise of the option contained in Condition 10(c) (*Redemption at the option of the Issuer*) in relation to some only of the Notes, the Permanent Global Note may be redeemed in part in the principal amount specified by the relevant Issuer in accordance with the Conditions and the Notes to be redeemed will not be selected as provided in the Conditions but in accordance with the rules and procedures of Euroclear and Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in principal amount, at their discretion).

*Notices:* Notwithstanding Condition 19 (*Notices*), while all the Notes are represented by a Permanent Global Note (or by a Permanent Global Note and/or a Temporary Global Note) and the Permanent Global Note is (or the Permanent Global Note and/or the Temporary Global Note are) deposited with a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system or a common safekeeper, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and, in any case, such notices shall be deemed to have been given to the Noteholders in accordance with Condition 19 (*Notices*) on the date of delivery to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system. Notwithstanding the previous sentence, so long as the Notes are listed on the London Stock Exchange, notice must also be given in London in the manner specified in Condition 19 (*Notices*).

## DESCRIPTION OF PACCAR FINANCIAL EUROPE B.V.

### Introduction

PFE is a wholly-owned subsidiary of PACCAR Holding B.V which is an indirect wholly-owned subsidiary of the ultimate parent, PACCAR. PFE was incorporated under the laws of The Netherlands as a private company with limited liability on 15 March 2001 and is registered in the Trade Register of the Chamber of Commerce of Brabant under number 17133742. The registered office of the PFE is Hugo van der Goeslaan 1, 5643 TW Eindhoven, The Netherlands (telephone number: +31 (0) 40 214 9111).

### Business

PFE's principal activity is to obtain funds in the international capital markets and lend such funds to PFE's subsidiaries and other affiliates in the PACCAR group.

PFE has sufficient financial capabilities to continue lending to subsidiaries and affiliates, servicing debt and paying dividends through internally generated funds, access to public and private debt markets, lines of credit and other financial resources.

PFE's subsidiaries and affiliates offer financing services to European dealers and purchasers of DAF trucks, including the heavy duty XF and CF series, as well as the medium and light duty LF series. DAF trucks are manufactured by affiliates of PACCAR and PFE.

Currently PFE has the following subsidiaries conducting customer finance activities:

- (1) *PACCAR Financial Holdings Europe B.V.*, a direct wholly-owned subsidiary of PFE, incorporated in Eindhoven, The Netherlands, which (i) is the holding company of the operating companies listed under (2) through (11) below; and (ii) provides general support and services to these operating companies.
- (2) *PACCAR Financial PLC*, described on page 59 of this Base Prospectus.
- (3) *Commercial Vehicle Contracts Limited*, an indirect, wholly-owned subsidiary of PFE, incorporated in London, United Kingdom, the main activities of which are administering residual value guarantees that have been issued to third party beneficiaries in the United Kingdom.
- (4) *PACCAR Financial Belux BVBA*, an indirect, wholly-owned subsidiary of PFE, incorporated in Temse, Belgium, the main activities of which are providing financing to truck operators in Belgium and Luxembourg for the acquisition of DAF commercial vehicles, as well as ancillary equipment, in the form of hire purchase, financial and operational leasing, and contract hire.
- (5) *PACCAR Financial Deutschland GmbH*, an indirect, wholly-owned subsidiary of PFE, incorporated in Frechen, Germany, the main activities of which are providing financing to German truck operators for the acquisition of DAF commercial vehicles, as well as ancillary equipment, in the form of hire purchase, financial and operational leasing and contract hire.
- (6) *PACCAR Financial España S.L.*, an indirect, wholly-owned subsidiary of PFE, incorporated in San Fernando de Henares, Spain, the main activities of which are providing financing to Spanish truck operators for the acquisition of DAF commercial vehicles, as well as ancillary equipment, in the form of hire purchase, financial and operational leasing, and contract hire.
- (7) *PACCAR Financial France S.A.S.*, an indirect, wholly-owned subsidiary of PFE, incorporated in Roissy, France, the main activities of which are providing financing to French truck operators for the acquisition of DAF commercial vehicles, as well as ancillary equipment, in the form of hire purchase, financial and operational leasing and contract hire.
- (8) *PACCAR Financial Italia S.r.l.*, an indirect, wholly-owned subsidiary of PFE, incorporated in Trezzano sul Naviglio, Italy, the main activities of which are providing financing to Italian truck operators for the acquisition of DAF commercial vehicles, as well as ancillary equipment, in the form of hire purchase, financial and operational leasing, and contract hire.
- (9) *PACCAR Financial Nederland B.V.*, an indirect, wholly-owned subsidiary of PFE, incorporated in Eindhoven, The Netherlands, the main activities of which are providing financing to Dutch truck operators for the acquisition of DAF commercial vehicles, as well as ancillary equipment, in the form of hire purchase, financial and operational leasing, and contract hire.

- (10) *PACCAR Financial Polska Sp. z.o.o.*, an indirect, wholly-owned subsidiary of PFE, incorporated in Wolica, Poland, the scope of activities of which include financial and operating lease services.
- (11) *PACCAR Financial Services Europe B.V.*, an indirect, wholly-owned subsidiary of PFE, incorporated in Eindhoven, The Netherlands, the main activities of which are providing inventory financing to dealers throughout Europe for the acquisition of new DAF commercial vehicles and used commercial vehicles of any make for resale.
- (12) *PACCAR Leasing GmbH*, an indirect, wholly-owned subsidiary of PFE, incorporated in Dieburg, Germany with ten operating locations strategically located throughout Germany, the main activities of which are truck rental and full-service leasing under the PacLease brand.

PFE depends upon these subsidiaries and other affiliates in the PACCAR group to repay the Notes. Its principal commercial activity is to lend to these subsidiaries and other affiliates in the PACCAR group; repayment of these intercompany loans is the company's sole source of income.

The amounts of paid-in capital in the subsidiaries at 31 December 2008 are listed below:

Entity	Paid-in Capital (thousands)
PACCAR Financial Holdings Europe B.V. ....	€18
PACCAR Financial PLC .....	£25,600
Commercial Vehicle Contracts Limited .....	£560
PACCAR Financial Belux BVBA .....	€84,950
PACCAR Financial Deutschland GmbH .....	€44,525
PACCAR Financial España S.L. ....	€12,900
PACCAR Financial France S.A.S. ....	€10,827
PACCAR Financial Italia S.r.l. ....	€1,000
PACCAR Financial Nederland B.V. ....	€18
PACCAR Financial Polska Sp. z.o.o.....	PLN 1,300
PACCAR Financial Services Europe B.V. ....	€25
PACCAR Leasing GmbH.....	€17,550

The amount of paid-in capital of PFE's Dutch subsidiaries (i.e. PACCAR Financial Holdings Europe B.V., PACCAR Financial Nederland B.V., and PACCAR Financial Services Europe B.V.) is minimal as these form part of one fiscal entity together with PFE.



## **Management and Employees**

The members of the board of management of PFE and their principal activities are as follows:

<b>Name</b>	<b>Position with Issuer</b>	<b>Other Principal Activities</b>
R. E. Armstrong	Director	Senior Vice President - Financial Services, PACCAR Inc
R. A. Bengston	Director	Vice President – Financial Services, PACCAR Inc
K. A. Roemer	Director	Managing Director, PACCAR Financial Europe B.V.

The business address of Messrs. Armstrong and Bengston is 777 106th Avenue N.E., Bellevue, Washington, 98004 United States of America. The business address of Mr. Roemer is Hugo van der Goeslaan 1, 5643 TW Eindhoven, The Netherlands.

Messrs. Armstrong and Bengston have significant management responsibilities outside PFE and its Subsidiaries overseeing the affairs of the PACCAR group generally. No potential conflicts of interest exist between the Directors' duties to PFE and their private interests and/or other duties.

As of 31 December 2008, a total of 293 people worked for PFE and its Subsidiaries.

## **Material Contracts**

Other than the relevant Keep Well Agreement, there are no material contracts that are not entered into in the ordinary course of business, which could result in any group member being under an obligation or entitlement that is material to PFE's ability to meet its obligations to its Noteholders.

## Selected Financial information

The following tables set out in summary form the consolidated income statement and consolidated balance sheet relating to PFE for the years ended 31 December 2008 and 2007. Such information is derived from PFE's consolidated audited financial statements for the year ended 31 December 2008. Such financial statements, together with the reports of Ernst & Young Accountants LLP and the accompanying notes, are incorporated by reference in this Base Prospectus. The financial information presented below should be read in conjunction with such financial statements, reports and the notes thereto.

### CONSOLIDATED STATEMENT OF PROFIT AND LOSS

(Thousands of Euros)	2008	2007
Revenue.....	293,765	237,215
Interest expense.....	88,661	63,576
Depreciation and operating expense-operating leases.....	106,554	79,674
Other operating expenses .....	42,721	25,238
(Release of)/Addition to allowance for impairment losses.....	12,912	(3,117)
	250,848	165,371
Operating result .....	42,917	71,844
Selling and administrative expenses .....	31,162	27,737
Total income before income taxes.....	11,755	44,107
Income tax expense .....	3,042	15,187
Net income .....	8,713	28,920

### CONSOLIDATED BALANCE SHEETS

(Thousands of Euros)	2008	2007
<b>ASSETS</b>		
Cash and cash equivalents .....	7,755	51,075
Wholesale receivables, net .....	758,290	530,911
Inventory, prepaid expenses and other current assets.....	29,027	12,923
Equipment on operating lease, net .....	484,240	445,045
Finance and other receivables, net.....	913,931	894,882
Deferred income tax assets .....	18,746	8,237
Goodwill and intangible assets.....	23,103	24,806
Other non-current assets .....	23,775	11,648
<b>Total Assets .....</b>	<b>2,258,867</b>	<b>1,979,527</b>
(Thousands of Euros)	2008	2007
<b>EQUITY &amp; LIABILITIES</b>		
<b>Liabilities</b>		
Accounts payable, accrued expenses and other .....	43,960	58,702
Commercial paper, bank loans and other short-term debt .....	714,919	746,805
Term debt.....	1,162,377	826,259
Deferred income tax liabilities.....	12,444	9,154
Other non-current liabilities .....	62,386	56,957
<b>Total Liabilities .....</b>	<b>1,996,086</b>	<b>1,697,877</b>
<b>Shareholder's equity</b>		
Paid-in Capital.....	13,000	13,000
Additional paid-in capital .....	224,046	224,046
Foreign currency translation .....	(20,574)	(6,819)
Accumulated fair value changes of financial instruments .....	(8,729)	5,098
Retained earnings previous years.....	46,325	17,405
Net income .....	8,713	28,920
<b>Total Equity .....</b>	<b>262,781</b>	<b>281,650</b>
<b>Total Equity and Liabilities .....</b>	<b>2,258,867</b>	<b>1,979,527</b>

## DESCRIPTION OF PACCAR FINANCIAL PLC

### Introduction

PFP is a wholly-owned subsidiary of PACCAR Financial Holdings B.V, a subsidiary of PFE, which is an indirect wholly-owned subsidiary of the ultimate parent, PACCAR. PFP was incorporated under the laws of England and Wales as a private company limited by shares on 15 February 2001 and is registered with the Registrar of Companies for England and Wales under number 4160861. PFP reregistered as a public limited company on 24 July 2009. PFP's principal place of business is Eastern Bypass, Thame, Oxfordshire OX9 3FB, United Kingdom (telephone number: +44 (0)845 603 6175).

### Business

PFP's principal activities are (i) obtaining funds, either from PFE or otherwise in the international capital markets, (ii) providing financing to truck operators for the acquisition of DAF commercial vehicles, as well as ancillary equipment, in the form of hire purchase, financial and operational leasing, and contract hire in the United Kingdom; (iii) administering contracts and handling claims for repair and maintenance contracts on DAF vehicles located in the United Kingdom; (iv) issuing and administering residual value guarantees to third party beneficiaries in the United Kingdom; and (v) providing administrative services to an affiliated company. The subsidiary is paid a fee for the services it provides. The risks related to contracts described in items (iii) and (iv) remain with the relevant manufacturing company (e.g. DAF Trucks).

With PFE, PFP has sufficient financial capabilities to carry out the above activities, through the servicing of debt and paying dividends through internally generated funds, access to public and private debt markets, lines of credit and other financial resources.

PFP is the immediate corporate parent of Commercial Vehicle Contracts Limited, described on page 55 of this Base Prospectus.

### Management and Employees

The members of the board of management of PFP and their principal activities are as follows:

Name	Position with Issuer	Other Principal Activities
M. C. Pigott	Director	Chairman and Chief Executive Officer, PACCAR Inc
R. E. Armstrong	Director	Senior Vice President - Financial Services, PACCAR Inc
R. A. Bengston	Director	Vice President – Financial Services, PACCAR Inc
K. A. Roemer	Director	Managing Director, PACCAR Financial Europe B.V.

The business address of Messrs. Pigott, Armstrong and Bengston is 777 106th Avenue N.E., Bellevue, Washington, 98004 United States of America. The business address of Mr. Roemer is Hugo van der Goeslaan 1, 5643 TW Eindhoven, The Netherlands.

All of PFP's directors have significant management responsibilities outside PFP overseeing the affairs of PFE and the PACCAR group generally. No potential conflicts of interest exist between the Directors' duties to PFP and their private interests and/or other duties.

As of 31 December 2008, a total of 65 employees worked for PFP and its Subsidiaries.

### Material Contracts

Other than the relevant Keep Well Agreement, there are no material contracts that are not entered into in the ordinary course of business, which could result in an obligation or entitlement that is material to PFP's ability to meet its obligations to its Noteholders.

### Selected Financial information

The following tables set out in summary form the income statement and balance sheet relating to PFP for the years ended 31 December 2008 and 2007. Such information is derived from PFP's audited financial statements for the year ended 31 December 2008. Such financial statements, together with the reports of Ernst & Young LLP and the accompanying notes, are set out on pages F1-F27 of this Base Prospectus. The financial information presented below should be read in conjunction with such financial statements, reports and the notes thereto.

# STATEMENT OF PROFIT AND LOSS

(Thousands of £)	2008	2007
Turnover .....	85,678	79,796
Cost of sales before exceptional items .....	59,978	55,321
Exceptional item – fixed asset impairment .....	1,987	-
Total cost of sales .....	61,965	55,321
Gross profit .....	23,713	24,475
Administrative expenses .....	5,456	5,018
Operating profit .....	18,257	19,457
Interest payable .....	12,050	10,305
Interest receivable .....	674	466
Profit on ordinary activities before taxation .....	6,881	9,618
Taxation .....	1,946	146
Profit on ordinary activities after taxation .....	4,935	9,472

# BALANCE SHEET

(Thousands of £)	2008	2007
<b>ASSETS</b>		
<b>Fixed assets</b>		
Tangible assets .....	44,480	35,670
Investment in Commercial Vehicle Contracts Limited .....	560	560
	45,040	36,230
<b>Current assets</b>		
Stocks .....	3,145	619
Debtors (including £160,282,000 (2007: £146,489,000) representing amounts falling due after more than one year) .....	261,407	245,115
Cash at Bank .....	84	246
	264,636	245,980
<b>Total Assets</b> .....	309,676	282,210
<b>EQUITY &amp; LIABILITIES</b>		
<b>Liabilities</b>		
Creditors: amounts falling due within one year .....	233,407	215,814
Creditors: amounts falling due after one year .....	34,731	29,793
<b>Total Liabilities</b> .....	268,138	245,607
<b>Shareholder's equity</b>		
Called up share capital .....	25,600	25,600
Profit and loss account .....	15,938	11,003
<b>Total Equity</b> .....	41,538	36,603
<b>Total Equity and Liabilities</b> .....	309,676	282,210

## DESCRIPTION OF PACCAR

### Introduction

PACCAR, incorporated as a public limited liability corporation under the laws of Delaware on 19 November 1971, is the successor to Pacific Car and Foundry Company which was incorporated in Washington in 1924. PACCAR traces its predecessors to Seattle Car Manufacturing Company formed in 1905. PACCAR's corporate headquarters and registered office is located in Bellevue, Washington (telephone number: (425) 468-7400).

### Business

PACCAR has two principal industry segments: (1) design, manufacture and distribution of light-, medium- and heavy-duty trucks and related aftermarket distribution of parts and (2) finance and leasing services provided to customers and dealers. PACCAR's finance and leasing activities are principally related to company products and associated equipment. Other manufactured products include industrial winches.

PACCAR employed approximately 18,700 people in its business at 31 December 2008.

PACCAR and its subsidiaries design and manufacture heavy-duty diesel trucks which are marketed under the Kenworth, Peterbilt and DAF nameplates. These trucks, which are built in four plants in the United States, three in Europe and one each in Australia, Canada and Mexico, are used world-wide for over-the-road and off-highway hauling of freight, petroleum, wood products, construction and other materials. PACCAR competes in the North American Class 5-7 markets primarily with conventional models. These trucks are assembled at facilities in Ste. Therese, Canada and in Mexicali, Mexico, which are operated by PACCAR's wholly owned subsidiaries located in those countries. PACCAR competes in the European light/medium (6 to 15 metric ton) market with DAF cab-over-engine trucks assembled in the United Kingdom by Leyland, one of PACCAR's wholly owned subsidiaries. Commercial trucks and related replacement parts comprise the largest segment of PACCAR's business, accounting for 90% of total 2008 net sales and revenues.

Substantially all trucks and related parts are sold to independent dealers. The Kenworth and Peterbilt nameplates are marketed and distributed by separate divisions in the U.S. and a subsidiary in Canada. The Kenworth nameplate is also marketed and distributed by subsidiaries in Mexico and Australia. The DAF nameplate is marketed and distributed by a subsidiary headquartered in The Netherlands. A U.S. division, PACCAR International, also markets all three nameplates outside each of their primary markets. The decision to operate as a subsidiary or as a division is incidental to truck operations and reflects legal, tax and regulatory requirements in the various countries where PACCAR operates.

The truck segment utilizes centrally managed purchasing, information technology, technical research and testing, treasury and finance functions. Certain manufacturing plants in North America produce trucks for more than one nameplate in common production facilities, while other plants produce trucks for only one nameplate, depending on various factors. As a result of the close similarity of the business models employed by each nameplate, best manufacturing practices within PACCAR are shared on a routine basis.

PACCAR's trucks are essentially custom products and have a reputation for high quality. For a significant portion of PACCAR's truck operations, major components, such as engines, transmissions and axles, as well as a substantial percentage of other components, are purchased from component manufacturers pursuant to PACCAR and customer specifications. DAF, which is more vertically integrated, manufactures its own engines and axles and a higher percentage of other components for its heavy truck models. The value of truck components manufactured by independent suppliers ranges from approximately 50% in Europe to approximately 90% in North America.

Raw materials and other components used in the manufacture of trucks are purchased from a number of suppliers. PACCAR's DAF subsidiary purchases fully assembled cabs from a competitor, Renault V.I., for its European light-duty product line pursuant to a joint product development and long-term supply contract. Sales of trucks manufactured with these cabs amounted to approximately 5% of consolidated revenues in 2008. A short-term loss of supply, and the resulting interruption in the production of these trucks, would not have a material effect on PACCAR's results of operations. However, a loss of supply for an extended period of time would either require PACCAR to contract for an alternative source of supply or to manufacture cabs itself. Other than these components, PACCAR is not limited to any single source for any significant component, although the sudden inability of a

supplier to deliver components could have a temporary adverse effect on production of certain products.

No significant shortages of materials or components were experienced in 2008. Manufacturing inventory levels are based upon production schedules and orders are placed with suppliers accordingly.

Replacement truck parts are sold and delivered to PACCAR's independent dealers through PACCAR's parts distribution network. Parts are both manufactured by PACCAR and purchased from various suppliers. Replacement parts inventory levels are determined largely by anticipated customer demand and the need for timely delivery. As a percentage of total consolidated net sales and revenues, parts sales were 15.1% in 2008, 15.0% in 2007, and 11.8% in 2006.

There were three other principal competitors in the U.S. and Canada Class 8 truck market in 2008. PACCAR's share of the U.S. and Canadian market was 26.0% of retail sales in 2008. In Europe there were five other principal competitors in the commercial vehicle market in 2008, including parent companies to two competitors of PACCAR in the United States. In 2008, DAF had a 14.1% share of the Western and Central European heavy-duty market and a 9.3% share of the light/medium market. These markets are highly competitive in price, quality and service, and PACCAR is not dependent on any single customer for its sales. There are no significant seasonal variations in sales.

The Peterbilt, Kenworth, and DAF nameplates are recognized internationally and play an important role in the marketing of PACCAR's truck products. PACCAR engages in a continuous program of trademark and trade name protection in all marketing areas of the world.

PACCAR's truck products are subject to environmental noise and emission regulations and competing manufacturers are subject to the same regulations. PACCAR believes the cost of complying with noise and emission regulations will not be detrimental to its business.

PACCAR had a total production backlog of \$2.5 billion at the end of 2008. Within this backlog, orders scheduled for delivery within three months (90 days) are considered to be firm. The 90-day backlog approximated \$0.8 billion at 31 December 2008, \$2.2 billion at 31 December 2007, and \$2.7 billion at 31 December 2006. Production of the year-end 2008 backlog is expected to be substantially completed during 2009.

#### *Other Business*

The other businesses include a division of PACCAR which manufactures industrial winches in two U.S. plants and markets them under the Braden, Carco, and Gearmatic nameplates. The markets for these products are highly competitive and PACCAR competes with a number of well established firms. Sales of industrial winches were less than 1% of net sales and revenues in 2008, 2007 and 2006.

The Braden, Carco, and Gearmatic trademarks and trade names are recognized internationally and play an important role in the marketing of those products.

#### *Financial Services*

In North America, Australia and 16 European countries, PACCAR provides financing and leasing arrangements, principally for its manufactured trucks, through wholly owned finance companies operating under the PACCAR Financial trade name. They provide inventory financing for independent dealers selling PACCAR products, and retail and lease financing for new and used trucks and other transportation equipment sold principally by its independent dealers. Receivables are secured by the products financed or leased.

PACCAR also conducts full service leasing operations through wholly owned subsidiaries in North America and Germany under the PacLease trade name. Selected dealers in North America are franchised to provide full service leasing. PACCAR provides its franchisees equipment financing and managerial support. PACCAR also operates full service lease outlets on its own behalf.

#### **Major Subsidiaries**

##### *DAF Trucks N.V.*

The registered office is at Hugo van der Goeslaan 1, 5643 PT Eindhoven, The Netherlands. Its field of activity is in truck and truck parts manufacturing and marketing. One hundred per cent. of its capital is held by PACCAR (indirectly).

*PACCAR Financial Corp.*

The registered office is at 777 106th Avenue N.E, Bellevue, Washington, 98004 United States of America. Its field of activity is financial services. One hundred per cent. of its capital is held by PACCAR (indirectly).

## SUMMARY FINANCIAL INFORMATION FOR PACCAR

The following tables set out in summary form the consolidated balance sheet and consolidated income statement information relating to PACCAR. Such information is derived from the audited consolidated financial statements of PACCAR as of and for the year ended 31 December 2008. Such financial statements together with the report of Ernst & Young LLP and the accompanying notes, are incorporated by reference in this Base Prospectus. The financial information presented below should be read in conjunction with such financial statements, reports and the notes thereto.

### CONSOLIDATED BALANCE SHEETS

#### ASSETS

	December 31	
	2008	2007
	(millions of dollars)	
<b>TRUCK AND OTHER:</b>		
<i>Current Assets</i>		
Cash and cash equivalents	1,899.2	1,736.5
Trade and other receivables, net	698.7	652.0
Marketable debt securities	175.4	778.5
Inventories	658.1	628.3
Deferred taxes and other current assets	211.7	205.6
<i>Total Truck and Other Current Assets</i>	<u>3,643.1</u>	<u>4,000.9</u>
Equipment on operating leases, net	425.3	489.2
Property, plant and equipment, net	1,782.8	1,642.6
Other noncurrent assets	368.2	467.2
<i>Total Truck and Other Assets</i>	<u>6,219.4</u>	<u>6,599.9</u>
<b>FINANCIAL SERVICES:</b>		
Cash and cash equivalents	56.0	121.6
Finance and other receivables, net	8,036.4	9,025.4
Equipment on operating leases, net	1,534.8	1,318.7
Other assets	403.2	244.6
<i>Total Financial Services Assets</i>	<u>10,030.4</u>	<u>10,710.3</u>
	<u>16,249.8</u>	<u>17,310.2</u>

#### LIABILITIES AND STOCKHOLDERS' EQUITY

	December 31	
	2008	2007
	(millions of dollars)	
<b>TRUCK AND OTHER:</b>		
<i>Current Liabilities</i>		
Accounts payable and accrued expenses	1,792.3	2,218.3
Dividend payable	36.3	367.1
<i>Total Truck and Other Current Liabilities</i>	<u>1,828.6</u>	<u>2,585.4</u>
Long-term debt	19.3	23.6
Residual value guarantees and deferred revenues	470.8	539.4
Deferred taxes and other liabilities	636.6	458.4
<i>Total Truck and Other Liabilities</i>	<u>2,955.3</u>	<u>3,606.8</u>
<b>FINANCIAL SERVICES:</b>		
Accounts payable, accrued expenses and other	249.2	258.5
Commercial paper and bank loans	3,576.2	4,130.1
Term notes	3,889.3	3,722.1
Deferred taxes and other liabilities	733.1	579.6
<i>Total Financial Services Liabilities</i>	<u>8,447.8</u>	<u>8,690.3</u>
<b>STOCKHOLDERS' EQUITY</b>		
Preferred stock, no par value – authorized 1.0 million shares, none issued		
Common stock, \$1 par value – authorized 1.2 billion shares; issued 363.1 million and 368.4 million shares	363.1	368.4
Additional paid-in capital	46.1	37.7
Treasury stock – at cost	(17.4)	(61.7)
Retained earnings	4,724.7	4,260.6
Accumulated other comprehensive (loss) income	(269.8)	408.1
<i>Total Stockholders' Equity</i>	<u>4,846.7</u>	<u>5,013.1</u>
	<u>16,249.8</u>	<u>17,310.2</u>



# CONSOLIDATED STATEMENTS OF INCOME

	Year Ended December 31	
	2008	2007
	(millions of dollars except per share data)	
<b>TRUCK AND OTHER:</b>		
Net sales and revenues	13,709.6	14,030.4
Cost of sales and revenues	11,736.9	11,917.3
Research and development	341.8	255.5
Selling, general and administrative	470.2	491.4
Interest and other income, net	(1.8)	(18.6)
	<u>12,547.1</u>	<u>12,645.6</u>
<i>Truck and Other Income Before Income Taxes</i>	1,162.5	1,384.8
<b>FINANCIAL SERVICES:</b>		
Revenues	1,262.9	1,191.3
Interest and other	831.9	755.3
Selling, general and administrative	111.2	110.9
Provision for losses on receivables	102.9	41.0
	<u>1,046.0</u>	<u>907.2</u>
<i>Financial Services Income Before Income Taxes</i>	216.9	284.1
Investment income	84.6	95.4
<i>Total Income Before Income Taxes</i>	<u>1,464.0</u>	<u>1,764.3</u>
Income taxes	446.1	537.0
<i>Net Income</i>	<u>1,017.9</u>	<u>1,227.3</u>
<b>Net Income Per Share</b>		
Basic	2.79	3.31
Diluted	2.78	3.29
Weighted average number of common shares outstanding		
Basic	364.2	371.1
Diluted	365.9	373.3

## Management and Employees

On 31 December 2008, PACCAR employed a total of approximately 18,700 persons. The number of persons employed by PACCAR in its truck business at 31 December 2008, was approximately 18,000. Executive officers of PACCAR are:

Mark C. Pigott	Chairman and Chief Executive Officer
Thomas E. Plimpton	Vice Chairman
James G. Cardillo	President
Daniel D. Sobic	Executive Vice President
Ronald E. Armstrong	Senior Vice President
Michael T. Barkley	Vice President and Controller
Robert J. Christensen	Senior Vice President
David C. Anderson	Vice President and General Counsel

Officers are elected annually but may be appointed or removed on interim dates.

PACCAR's Board of Directors is comprised of twelve individuals. Two directors (Mark C. Pigott and Thomas E. Plimpton) are officers of PACCAR; the others listed below are independent directors.

Alison J. Carnwath	John M. Fluke, Jr.
Kirk S. Hachigian	Stephen F. Page
Robert T. Parry	John M. Pigott
William G. Reed, Jr.	Gregory M.E. Spierkel
Warren R. Staley	Charles R. Williamson

The Board is staggered, so that one-third of the Board of Directors is elected each year, and each director serves for a period of three years.

The business address of all the executive officers and the directors is 777 106th Avenue N.E., Bellevue, Washington 98004 United States of America.

None of the executive officers or the directors perform activities outside PACCAR and its subsidiaries which are significant with respect to PACCAR and its subsidiaries. No potential conflicts of interest exist between the duties of the officers or the directors to PACCAR and their private interests and/or other duties.

## Properties

PACCAR and its subsidiaries own and operate manufacturing plants in five U.S. states, three countries in Europe, and one each in Australia, Canada and Mexico. PACCAR also has a number of parts distribution centres, sales and service offices, and finance and administrative offices which are operated in owned or leased premises in these and other countries. Facilities for product testing and research and development are located in Washington state and The Netherlands. PACCAR's corporate headquarters is located in owned premises in Bellevue, Washington. PACCAR considers all of the properties used by its businesses to be suitable for their intended purposes.

PACCAR continuously invests in facilities, equipment and processes to provide manufacturing and warehouse capacity to meet its customers' needs.

Construction of PACCAR's new engine production facility in Columbus, Mississippi began in July 2007 and is expected to be completed in late 2010. PACCAR's 12.9-liter and 9.2-liter diesel engines planned to be manufactured in Columbus will be installed in Kenworth and Peterbilt trucks and may be exported to meet DAF's production requirements. DAF's engine production facility in Eindhoven, Netherlands may also manufacture the 12.9 litre and 9.2 litre engine for North America. In the U.S. and Canada, Peterbilt and Kenworth delivered 44,900 heavy and medium-duty trucks during 2008, a decrease of 8,100 from 2007 primarily due to a lower truck market. The Class 8 market decreased to 152,600 units in 2008 from 175,800 units in 2007. PACCAR's market share was 26.0% in 2008 compared to 26.4% in 2007. The medium-duty market decreased 31% to 59,500 units.

In Europe, DAF trucks delivered a record 63,700 units during 2008, a 6% increase over 2007. The 15 tonne and above truck market in Western and Central Europe was 334,000 units compared to 337,000 units in 2007. DAF's 2008 market share of the 15 tonne and above market increased to 14.1% compared to 13.9% in 2007. DAF market share in the 6 to 15 tonne market increased to 9.3% in 2008 from 8.3% in 2007. Truck and parts sales in Europe represented 49% of PACCAR's total truck segment net sales and revenues in 2008 compared to 42% in 2007.

There is additional capacity utilization available in all of PACCAR's facilities.

## TAXATION

The following is a general description of certain U.S. federal income, Netherlands and U.K. tax considerations relating to the Notes. It does not purport to be a complete analysis of all tax considerations relating to the Notes, whether in those countries or elsewhere. Prospective purchasers of Notes should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes and the consequences of such actions under the tax laws of those countries. This summary is based upon the law as in effect on the date of this Base Prospectus and is subject to any change in law that may take effect after such date.

### U.S. Federal Taxation

*This discussion is not intended or written to be used, and cannot be used by any person, for the purpose of avoiding U.S. federal tax penalties, and was written to support the promotion or marketing of the Programme. Each prospective purchaser should seek advice based on its particular circumstances from an independent tax advisor.*

Under present U.S. federal income and estate tax law (1) subject to the discussion of backup withholding below, a Non-U.S. Person, as defined below, generally will not be subject to U.S. federal withholding income tax with respect to payments on a Note or a Coupon appertaining thereto (whether paid by the Issuers or any of their paying agents), or on gain from a sale or redemption of a Note or a Coupon appertaining thereto, provided that the Note or Coupon is not held in connection with a U.S. trade or business and, further, in the case of capital gains recognised by an individual, such individual is not present in the U.S. for 183 days or more during the taxable year in which the sale or redemption occurs and certain other conditions are met; and (2) a Note or a Coupon appertaining thereto held at the time of death by an individual who is not a citizen or resident of the U.S. as defined for U.S. federal estate tax purposes will not be subject to the U.S. federal estate tax, provided that at the time of death such an individual did not actually or constructively own 10 per cent. or more of the total combined voting power of all classes of stock of the relevant Issuer and the holding of such Note or Coupon is not, and has not been, effectively connected with the conduct by such individual of a U.S. trade or business. This discussion assumes that the Notes are debt for U.S. federal income tax purposes and that the Notes do not provide for the payment of contingent interest as defined in Section 871 (b) (4) of the Internal Revenue Code. Noteholders should consult their own tax advisers as to the U.S. federal income tax consequences to them in the event these assumptions are incorrect.

Under present U.S. federal tax law, unless the relevant Issuer or its paying agent has actual knowledge, or reason to know, that the holder of a Note or a Coupon appertaining thereto is a U.S. person, a payment on a Note by (or by a paying agent of) the relevant Issuer made outside the U.S. will not be subject to U.S. certification, identification or information reporting requirements or backup withholding tax. For a discussion of the right of the Issuers to redeem the Notes in certain events relating to the obligation of the Issuers to pay additional amounts relating to withholding tax, see "Terms and Conditions of the Notes - Redemption and Purchase - Redemption for tax reasons" and "Terms and Conditions of the Notes - Taxation - Gross up." In addition, except as provided in the following sentence, if payments are collected outside the U.S. by a foreign office of a custodian, nominee or other agent acting on behalf of a beneficial owner of a Note or Coupon, such custodian, nominee or other agent will not be required to deduct backup withholding tax from payments made to such owner. However, if the custodian, nominee or other agent is a U.S. person, a controlled foreign corporation for U.S. tax purposes, a foreign person 50 per cent. or more of whose gross income is effectively connected with the conduct of a trade or business within the U.S. for a specified three-year period or a foreign partnership with significant U.S. ownership or that is engaged in the conduct of a U.S. trade or business, information reporting and, with respect to certain payments backup withholding tax will be required with respect to payments made to such owner, unless such custodian, nominee or other agent has documentary evidence in its files of the owner's foreign status and has no actual knowledge, or reason to know, to the contrary, or the owner otherwise establishes an exemption.

Payment of the proceeds from the sale of a Note or Coupon to or through a foreign office of a broker will not be subject to U.S. certification, identification or information reporting requirements or backup withholding, except that if the broker is a U.S. person, a controlled foreign corporation for U.S. tax purposes, a foreign person 50 per cent. or more of whose gross income is effectively connected with the conduct of a trade or business within the U.S. for a specified three-year period or a foreign partnership with significant U.S. ownership or that is engaged in the conduct of a U.S. trade or

business, information reporting will apply to such payments unless such broker has documentary evidence in its files of the owner's foreign status and has no actual knowledge, or reason to know, to the contrary, or the owner otherwise establishes an exemption. Payment of the proceeds from a sale of a Note or Coupon to or through the U.S. office of a broker is subject to information reporting and backup withholding unless the holder or beneficial owner certifies as to its non-U.S. status (provided the broker does not have actual knowledge that such statement is incorrect) or otherwise establishes an exemption from information reporting and backup withholding. Treasury Regulations clarify that a sale or redemption of a Note or Coupon generally will be deemed to be effected at an office inside the U.S. if (i) the holder or beneficial owner of a Note has opened an account with a U.S. office of the broker or transmitted instructions concerning the sale or redemption of the Note and other sales or redemptions to an office of the broker from within the U.S., (ii) the gross proceeds of the sale or redemption are paid to the holder or beneficial owner by a transfer of funds into an account maintained by such holder or beneficial owner in the U.S.; (iii) the gross proceeds of the sale or redemption are, or the confirmation of the sale or redemption is, mailed to the holder or beneficial owner at an address in the U.S.; or (iv) a U.S. office of the broker negotiates the sale or redemption with the holder or beneficial owner or receives instructions with respect to the sale or redemption from the holder or beneficial owner. Further, such Treasury Regulations expand and apply the information reporting and backup withholding rules to beneficial owners of entities such as partnerships that are treated as fiscally transparent for U.S. federal income tax purposes. Thus, beneficial owners of partnerships and other fiscally transparent entities that hold Notes or Coupons are subject to and must comply with the certification, identification and information reporting requirements and back-up withholding rules described above. Any amounts withheld under the backup withholding rules may be allowed as a credit against the holder's U.S. federal income tax liability, and may entitle the holder to a refund, provided that the required information is furnished to the U.S. Internal Revenue Service. Prospective investors should consult their tax advisors regarding the application of these rules to their particular circumstances.

Under provisions of present U.S. federal income tax law relating to the ownership of bearer form debt obligations, a holder of a Note that is a U.S. person will be subject to the following special rules unless an exception applies. If a Note is paid, sold or otherwise disposed of in a transaction that results in a taxable gain or a loss for U.S. federal income tax purposes, the gain will be treated as ordinary income and not a capital gain, and no deduction will be allowable in respect of the loss.

As used in the above discussion, the terms (A) "U.S. person" means a holder or other beneficial owner of a Note or Coupon who or that is for U.S. federal income tax purposes (i) a citizen or individual resident of the U.S., (ii) a corporation or other entity treated as a corporation for U.S. federal income tax purposes created or organised in or under the laws of the U.S. or any political subdivision therein, (iii) an estate, the income of which is subject to U.S. federal income taxation regardless of its source, or (iv) a trust that (1) is subject to the supervision of a court within the U.S. and the control of one or more U.S. persons (as defined in the Internal Revenue Code) or (2) has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person; and (B) "Non-U.S. Person" means a holder or other beneficial holder who or that is for U.S. federal income tax purposes, (i) a foreign corporation, (ii) a non-resident alien individual, (iii) a foreign estate or trust all of whose beneficiaries are Non-U.S. Persons, or (iv) a foreign partnership to the extent that one or more of its members are Non-U.S. Persons, and who or that is or was not a 10 per cent. shareholder of the relevant Issuer as defined in Section 871(h)(3) of the Internal Revenue Code, a foreign or domestic personal holding company, a passive foreign investment company or a controlled foreign corporation with respect to the U.S., a corporation that has accumulated earnings to avoid U.S. federal income tax or a bank that receives payments on the Notes on an extension of credit pursuant to a loan agreement entered into in the ordinary course of its trade or business.

## **Netherlands Taxation**

The following description relates to PFE only. PFE has been advised that under the existing laws of The Netherlands:

### ***Withholding Tax***

All payments made by PFE of interest and principal under the Notes, Coupons, Talons or Receipts can be made free of withholding or deduction of any taxes of whatsoever nature imposed, levied, withheld or assessed by The Netherlands or any political subdivision or taxing authority thereof or therein.

### *Taxes on Income and Capital Gains*

A holder of a Note, Coupon, Talon or Receipt who derives income from a Note, Coupon, Talon or Receipt or who realises a gain on the disposal or redemption of a Note, Coupon, Talon or Receipt will not be subject to Dutch taxation on such income or capital gains unless:

- (a) the holder is, or is deemed to be, resident in The Netherlands, or, where the holder is an individual, such holder has elected to be treated as a resident of The Netherlands; or
- (b) such income or gain is attributable to an enterprise or part thereof which is either effectively managed in The Netherlands or carried on through a permanent establishment (*vaste inrichting*) or a permanent representative (*vaste vertegenwoordiger*) in The Netherlands; or
- (c) the holder is not an individual and the holder has, directly or indirectly, a substantial interest (*aanmerkelijk belang*) or a deemed substantial interest in PFE and such interest does not form part of the assets of an enterprise; or
- (d) the holder is an individual and the holder or a connected person (*verbonden persoon*) has, directly or indirectly, a substantial interest (*aanmerkelijk belang*) in PFE or such income or gain otherwise qualifies as income from miscellaneous activities (*belastbaar resultaat uit overige werkzaamheden*) in The Netherlands as defined in the Dutch Income Tax Act 2001 (*Wet inkomstenbelasting 2001*).

### *Gift and Inheritance Taxes*

Dutch gift or inheritance taxes will not be levied on the occasion of the transfer of a Note, Coupon, Talon or Receipt by way of gift by, or on the death of, a holder, unless:

- (a) the holder of a Note, Coupon, Talon or Receipt is, or is deemed to be, resident in The Netherlands for the purpose of the relevant provisions; or
- (b) the transfer is construed as an inheritance or gift made by, or on behalf of, a person who, at the time of the gift or death, is or is deemed to be resident in The Netherlands for the purpose of the relevant provisions; or
- (c) such Note is attributable to an enterprise or part thereof which is either effectively managed in The Netherlands or carried on through a permanent establishment (*vaste inrichting*) or permanent representative (*vaste vertegenwoordiger*) in The Netherlands.

### *Value Added Tax*

There is no Dutch value added tax payable by a holder of a Note, Coupon, Talon or Receipt in respect of payments in consideration for the issue of the Notes, Coupons, Talons or Receipts or in respect of the payment of interest or principal under the Notes, Coupons, Talons or Receipts, or the transfer of the Notes, Coupons, Talons or Receipts.

### *Other Taxes and Duties*

There is no Dutch registration tax, stamp duty or any other similar tax or duty payable in The Netherlands by a holder of a Note, Coupon, Talon or Receipt in respect of or in connection with the execution, delivery and/or enforcement by legal proceedings (including any foreign judgement in the courts of The Netherlands) of the Notes, Coupons, Talons or Receipts or the performance of PFE's obligations under the Notes, Coupons, Talons or Receipts.

### *Residence*

A holder of a Note, Coupon, Talon or Receipt will not be, or deemed to be, resident in The Netherlands for tax purposes and, subject to the exceptions set out above, will not otherwise be subject to Dutch taxation, by reason only of acquiring, holding or disposing of a Note or the execution, performance, delivery and/or enforcement of Notes, Coupons, Talons or Receipts.

### **United Kingdom Taxation**

*The following is a summary of the United Kingdom withholding taxation treatment at the date hereof in relation to payments of principal and interest in respect of the Notes. It is based on current law and the practice of H.M. Revenue and Customs ("HMRC"), which may be subject to change, sometimes with retrospective effect. The comments relate only to the position of persons who are absolute beneficial owners of the Notes. Prospective Noteholders should be aware that the particular terms of issue of any*

*series of Notes as specified in the relevant Final Terms may affect the tax treatment of that and other series of Notes. The following is a general guide and should be treated with appropriate caution. It is not intended as tax advice and it does not purport to describe all of the tax considerations that may be relevant to a prospective purchaser. Noteholders who are in any doubt as to their tax position should consult their professional advisers. Noteholders who may be liable to taxation in jurisdictions other than the United Kingdom in respect of their acquisition, holding or disposal of the Notes are particularly advised to consult their professional advisers as to whether they are so liable (and if so under the laws of which jurisdictions), since the following comments relate only to certain United Kingdom taxation aspects of payments in respect of the Notes. In particular, Noteholders should be aware that they may be liable to taxation under the laws of other jurisdictions in relation to payments in respect of the Notes even if such payments may be made without withholding or deduction for or on account of taxation under the laws of the United Kingdom.*

#### *UK Withholding Tax on Interest Payments*

Interest on Notes issued for a term of less than one year (and which are not issued under arrangements the effect of which is to render the Notes part of a borrowing with a total term of one year or more) may be paid by the relevant Issuer without withholding or deduction for or on account of United Kingdom income tax.

Interest on Notes issued by PFE ("**PFE Notes**") for a term of one year or more (or under arrangements the effect of which is to render the PFE Notes part of a borrowing with a total term of one year or more) may be paid by PFE without withholding or deduction for or on account of United Kingdom income tax except in circumstances where such interest has a United Kingdom source. The location of the source of a payment is a complex matter. It is necessary to have regard to case law and HMRC practice. Case law has established that in determining the source of interest, all relevant factors must be taken into account. HMRC has indicated that the most important factors in determining the source of a payment are those which influence where a creditor would sue for payment, and has stated that the place where PFE does business, and the place where its assets are located, are the most important factors in this regard; however, HMRC has also indicated that, depending on the circumstances, other relevant factors may include the place where the interest and principal are payable, the method of payment, the governing law of the PFE Notes and the competent jurisdiction for any legal action and the location of any security for PFE's obligations under the PFE Notes..

Interest on the PFE Notes which has a United Kingdom source ("**UK interest**") or on Notes issued by PFP which carry a right to interest ("**PFP Notes**") may be paid by the relevant Issuer without withholding or deduction for or on account of United Kingdom income tax if the Notes in respect of which such interest is paid constitute "quoted Eurobonds." Notes which carry a right to interest will constitute "quoted Eurobonds" within the meaning of section 987 of the Income Tax Act 2007 as long as they are and continue to be "listed on a recognised stock exchange" within the meaning of section 1005 of the Income Tax Act 2007. In the case of Notes to be traded on the London Stock Exchange, which is a recognised stock exchange, the Notes will be treated as "listed" on a recognised stock exchange if the Notes are included in the Official List and admitted to trading on the London Stock Exchange. Notes to be traded on a recognised stock exchange outside the United Kingdom will be treated as "listed" on a recognised stock exchange if (and only if) they are admitted to trading on that exchange and they are officially listed, in accordance with provisions corresponding to those generally applicable in European Economic Area states, in a country outside the United Kingdom in which there is a recognised stock exchange. Whilst the Notes are and continue to be quoted Eurobonds, payments of interest on the Notes may be made without withholding or deduction for or on account of United Kingdom income tax.

In all other cases, UK interest on the PFE Notes and interest on the PFP Notes may fall to be paid under deduction of United Kingdom income tax at the basic rate (currently 20 per cent, subject to such relief as may be available following a direction from HMRC under the provisions of any applicable double taxation treaty, or to any other exemption which may apply.

#### *Payments under Deed of Covenant*

Any payments made by an Issuer under the relevant Deed of Covenant may not qualify for the exemptions from United Kingdom withholding tax described above.

### *Provision of Information*

Noteholders should note that where any interest on Notes is paid to them (or to any person acting on their behalf) by PFP or any person in the United Kingdom acting on behalf of an Issuer (a "**paying agent**"), or is received by any person in the United Kingdom acting on behalf of the relevant Noteholder (other than solely by clearing or arranging the clearing of a cheque) (a "**collecting agent**"), then PFE, the paying agent or the collecting agent (as the case may be) may, in certain cases, be required to supply to HMRC details of the payment and certain details relating to the Noteholder (including such Noteholder's name and address). These provisions will apply whether or not the interest has been paid subject to withholding or deduction for or on account of United Kingdom income tax and whether or not the Noteholder is resident in the United Kingdom for United Kingdom taxation purposes. In certain circumstances, the details provided to HMRC may be passed by HMRC to the tax authorities of certain other jurisdictions.

The provisions referred to above may also apply, in certain circumstances, to payments made on redemption of any Notes which constitute "deeply discounted securities" for the purposes of section 18 of the Taxes Management Act 1970 (although in this regard HMRC published guidance for the year 2009/2010 indicates that HMRC will not exercise its power to obtain information in relation to such payments in that year).

Information may also be required to be reported in accordance with regulations made pursuant to the EU Savings Directive (see below).

### *Other Rules Relating to United Kingdom Withholding Tax*

- (a) Notes may be issued at an issue price of less than 100 per cent. of their principal amount. Any discount element on any such Notes will not generally be subject to any United Kingdom withholding tax pursuant to the provisions mentioned above, but may be subject to reporting requirements as outlined above.
- (b) Where Notes are to be, or may fall to be, redeemed at a premium, as opposed to being issued at a discount, then any such element of premium may constitute a payment of interest. Payments of interest are subject to United Kingdom withholding tax and reporting requirements as outlined above.
- (c) Where interest has been paid under deduction of United Kingdom income tax, Noteholders who are not resident in the United Kingdom may be able to recover all or part of the tax deducted if there is an appropriate provision in any applicable double taxation treaty.
- (d) The references to "interest" above mean "interest" as understood in United Kingdom tax law. The statements above do not take any account of any different definitions of "interest" or "principal" which may prevail under any other law or which may be created by the terms and conditions of the Notes or any related documentation.
- (e) The above description of the United Kingdom withholding tax position assumes that there will be no substitution of an Issuer and does not consider the tax consequences of any such substitution.

### **EU Savings Tax Directive**

Under EC Council Directive 2003/48/EC on the taxation of savings income, each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in that other Member State; however, for a transitional period, Austria, Belgium and Luxembourg may instead apply a withholding system in relation to such payments, deducting tax at rates rising over time to 35 per cent. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

A number of non-EU countries, and certain dependent or associated territories of certain Member States, have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a



Member State to, or collected by such a person for, an individual resident or certain limited types of entity established in one of those territories.

On 13 November 2008 the European Commission published a proposal for amendments to the Directive, which included a number of suggested changes which, if implemented, would broaden the scope of the requirements described above. On 24 April 2009, the European Parliament approved an amended version of the proposal. Investors who are in any doubt as to their position should consult their professional advisers.

## SUBSCRIPTION AND SALE

Notes may be issued from time to time by the Issuers to any one or more of Banco Bilbao Vizcaya Argentaria, S.A, Barclays Bank PLC, BNP Paribas, HSBC Bank plc, ING Bank N.V, The Royal Bank of Scotland plc and UBS Limited (the "**Dealers**"). The arrangements under which Notes may from time to time be agreed to be issued by the Issuers to, and subscribed by, Dealers are set out in a Dealer Agreement dated 12 August 2009 (the "**Dealer Agreement**") and made between the Issuers and the Dealers. Any such agreement will, *inter alia*, make provision for the form and terms and conditions of the relevant Notes, the price at which such Notes will be subscribed by the Dealers and the commissions or other agreed deductibles (if any) payable or allowable by the relevant Issuer in respect of such subscription. The Dealer Agreement makes provision for the resignation or termination of appointment of existing Dealers and for the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Tranche of Notes.

### **United States of America:** *Regulation S Category 3; TEFRA D.*

The Notes have not been and will not be registered under the Securities Acts and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a U.S. person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code and regulations thereunder.

Each Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree, that, except as permitted by the Dealer Agreement, it will not offer, sell or deliver Notes of any identifiable Tranche, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Notes comprising such Tranche, as certified to the Fiscal Agent or the relevant Issuer by such Dealer (or, in the case of a sale of a Tranche of Notes to or through more than one Dealer, by each of such Dealers as to the Notes of such Tranche purchased by or through it, in which case the Fiscal Agent or the relevant Issuer shall notify each such Dealer when all such Dealers have so certified) within the United States or to, or for the account or benefit of, U.S. persons, and such Dealer will have sent to each dealer to which it sells Notes during the distribution compliance period relating thereto a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S.

In addition, until 40 days after the commencement of the offering of Notes comprising any Tranche, any offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

### **United Kingdom**

Each Dealer has represented, warranted and agreed that:

- (a) **No deposit-taking:** in relation to any Notes having a maturity of less than one year:
  - (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and
  - (ii) it has not offered or sold and will not offer or sell any Notes other than to persons:
    - (A) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or
    - (B) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses,

where the issue of the Notes would otherwise constitute a contravention of Section 19 of the United Kingdom's Financial Services and Markets Act 2000 ("**United Kingdom FSMA**") by the Issuers;

- (b) **Financial promotion:** it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the United Kingdom FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the United Kingdom FSMA does not apply to the relevant Issuer or PACCAR; and
- (c) **General compliance:** it has complied and will comply with all applicable provisions of the United Kingdom FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

#### **The Netherlands/Global**

Zero Coupon Notes (as defined below) in definitive form may only be transferred and accepted, directly or indirectly, within, from or into The Netherlands through the mediation of either the relevant Issuer or a member firm of Euronext Amsterdam N.V. in full compliance with the Dutch Savings Certificates Act (*Wet inzake Spaarbewijzen*) of 21 May, 1985 (as amended) and its implementing regulations. No such mediation is required: (i) in respect of the transfer and acceptance of rights representing an interest in a Zero Coupon Note in global form or (ii) in respect of the initial issue of Zero Coupon Notes in definitive form to the first holders thereof or (iii) in respect of the transfer and acceptance of Zero Coupon Notes in definitive form between individuals not acting in the conduct of a business or profession, or (iv) in respect of the transfer and acceptance of such Zero Coupon Notes within, from or into The Netherlands if all Zero Coupon Notes (either in definitive form or as rights representing an interest in a Zero Coupon Note in global form) of any particular Series are issued outside The Netherlands and are not distributed into The Netherlands in the course of initial distribution or immediately thereafter. As used herein "**Zero Coupon Notes**" are Notes that are in bearer form and that constitute a claim for a fixed sum against the relevant Issuer and on which interest does not become due during their tenor or on which no interest is due whatsoever.

#### **Japan**

The Notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948, as amended) and, accordingly, each Dealer has undertaken that it will not offer or sell any Notes directly or indirectly, in Japan or to, or for the benefit of, any Japanese Person or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any Japanese Person except under circumstances which will result in compliance with all applicable laws, regulations and guidelines promulgated by the relevant Japanese governmental and regulatory authorities and in effect at the relevant time. For the purposes of this paragraph, "**Japanese Person**" shall mean any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

#### **General**

Other than with respect to the admission to listing, trading and/or quotation by such one or more listing authorities, stock exchanges and/or quotation systems as may be specified in the Final Terms, no action has been or will be taken in any country or jurisdiction by the Issuers or the Dealers that would permit a public offering of Notes, or possession or distribution of any offering material in relation thereto, in any country or jurisdiction where action for that purpose is required. Persons into whose hands the Base Prospectus or any Final Terms comes are required by the Issuers and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Notes or possess, distribute or publish the Base Prospectus or any Final Terms or any related offering material, in all cases at their own expense.

The Dealer Agreement provides that the Dealers shall not be bound by any of the restrictions relating to any specific jurisdiction (set out above) to the extent that such restrictions shall, as a result of change(s) or change(s) in official interpretation, after the date hereof, of applicable laws and regulations, no longer be applicable but without prejudice to the obligations of the Dealers described in the paragraph headed "General" above.

Selling restrictions may be supplemented or modified with the agreement of the Issuers (as relevant). Any such supplement or modification will be set out in the relevant Final Terms (in the case of a supplement or modification relevant only to a particular Tranche of Notes) or (in any other case) in a supplement to this document.

## **GENERAL INFORMATION**

### **Listing**

The Programme was initially admitted to trading on the Regulated Market of the London Stock Exchange on 3 November 2005. The price of the Notes on the price list of the London Stock Exchange will be expressed as a percentage of their principal amount (exclusive of accrued interest). Any Tranche of Notes intended to be admitted to trading on the Regulated Market of the London Stock Exchange will be so admitted to trading upon submission to the London Stock Exchange of the relevant Final Terms and any other information required by the London Stock Exchange, subject to the issue of the relevant Notes. Prior to admission to trading, dealings will be permitted by the London Stock Exchange in accordance with its rules. Transactions will normally be effected for delivery on the third working day in London after the day of the transaction.

However, Notes may be issued pursuant to the Programme which will not be admitted to listing, trading and/or quotation by the London Stock Exchange or any other listing authority, stock exchange and/or quotation system or which will be admitted to listing, trading and/or quotation by such other or further listing authorities, stock exchanges and/or quotation systems as the relevant Issuer and the relevant Dealer(s) may agree.

### **Authorisations**

The establishment of the Programme was authorised by a resolution of the board of management of the PFE passed on 3 September 2004. The 2009 update of the Programme was authorised by resolutions of PFE's board of management passed on 12 August 2009 and PFP's board of directors on 12 August 2009. The Issuers have obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes.

### **Clearing of the Notes**

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate Common Code and the International Securities Identification Number in relation to the Notes of each Series will be specified in the Final Terms relating thereto. The relevant Final Terms shall specify any other clearing system as shall have accepted the relevant Notes for clearance together with any further appropriate information.

### **Use of proceeds**

The net proceeds of the issue of each Tranche of Notes will be applied by the Issuers to meet part of their general financing requirements.

### **Litigation**

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuers or PACCAR are aware) which may have, or have had during the 12 months preceding the date of this Base Prospectus, a significant effect on the financial position or profitability of the Issuers, PACCAR or any of their subsidiaries, taken as a whole.

### **No significant change**

There has been no material adverse change in the prospects of the Issuers or PACCAR and their respective subsidiaries, taken as a whole, since 31 December 2008. There has been no significant change in the financial or trading position of the Issuers and their subsidiaries, taken as a whole, which has occurred since 31 December 2008, nor has there been any significant change in the financial or trading position of PACCAR and its subsidiaries, taken as a whole, which has occurred since 31 March 2009.

### **Documents available for inspection**

For the life of this Base Prospectus, copies of the following documents may be inspected during normal business hours at the specified office of the Fiscal Agent, namely:

- (a) the Agency Agreement;
- (b) the Keep Well Agreements;
- (c) the Deeds of Covenant;

- (d) the Dealer Agreement;
- (e) the Programme Manual (which contains the forms of the Notes in global and definitive form);
- (f) any Final Terms relating to Notes which are admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system, copies of which documents may be obtained during normal business hours at the specified office of the Fiscal Agent or at the office of the Paying Agent in London. (In the case of any Notes which are not admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system, copies of the relevant Final Terms will only be available for inspection by the relevant Noteholders);
- (g) the constitutive documents of the Issuers and PACCAR, copies of which documents may be obtained during normal business hours at the specified office of the Fiscal Agent or at the office of the Paying Agent in London; and
- (h) each Issuer-ICSDs Agreement (which is entered into between each Issuer and Euroclear and/or Clearstream, Luxembourg with respect to the settlement in Euroclear and/or Clearstream, Luxembourg of Notes in New Global Note form).

#### **Financial statements available**

PFE publishes audited consolidated and unconsolidated annual reports and PFP publishes audited unconsolidated annual reports, in each case for each financial year ending 31 December. The Issuers do not prepare audited or unaudited consolidated or unconsolidated interim financial statements.

PACCAR publishes (i) audited consolidated annual reports for each financial year ending 31 December and (ii) unaudited consolidated quarterly and semi-annual financial statements. PACCAR does not prepare audited unconsolidated annual reports or audited or unaudited unconsolidated interim financial statements.

Ernst & Young Accountants LLP have audited the financial statements of PFE for the years ended 31 December 2008 and 31 December 2007. The *Registeraccountants* of Ernst & Young Accountants LLP are members of the Dutch Institute for Chartered Accountants (*Koninklijk Nederlands Instituut van Registeraccountants* or NIVRA).

Ernst & Young LLP, which is registered to carry out audit work by the Institute of Chartered Accountants in England and Wales, have audited the financial statements of PFP for the years ended 31 December 2008 and 31 December 2007.

Ernst & Young LLP have audited the financial statements of PACCAR for the years ended 31 December 2008 and 31 December 2007, in accordance with the standards of the Public Company Accounting Oversight Board (United States) and are a member of the American Institute of Certified Public Accountants.

For the life of this Base Prospectus, copies of the following documents may be obtained free of charge during normal business hours at the specified office of the Fiscal Agent, namely the audited consolidated and unconsolidated annual financial statements of PFE, the audited unconsolidated annual financial statements of PFP and the audited consolidated annual financial statements of PACCAR for the years ended 31 December 2008 and 31 December 2007.

#### **Post-Issuance Information**

The Issuers do not intend to provide any post-issuance information in respect of any issue of Notes.

## **FINANCIAL STATEMENTS AND AUDITORS' REPORTS FOR PACCAR FINANCIAL PLC**

Auditor's report and financial statements of PFP as at and for the year ended 31 December 2007	F-1
Auditor's report and financial statements of PFP as at and for the year ended 31 December 2008	F-15

## **Independent auditors' report to the members of PACCAR Financial Limited**

We have audited the company's financial statements for the year ended 31 December 2007 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 23. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

The directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, are properly prepared in accordance with the Companies Act 1985 and that the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

## **Independent auditors' report**

**to the members of PACCAR Financial Limited (continued)**

### **Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.



Ernst & Young LLP  
Registered Auditor  
Reading

Date: 26 June 2008



## Profit and loss account

for the year ended 31 December 2007

	Notes	2007 £'000	2006 £'000
<b>Turnover</b>	2	79,796	73,644
Cost of sales		(55,321)	(53,931)
<b>Gross profit</b>		24,475	19,713
Administrative expenses		(5,018)	(5,965)
<b>Operating profit</b>	3	19,457	13,748
Interest payable	5	(10,305)	(9,974)
Interest receivable	6	466	1,307
<b>Profit on ordinary activities before taxation</b>		9,618	5,081
Taxation	9	(146)	(3,557)
<b>Profit on ordinary activities after taxation</b>		9,472	1,524

## Statement of total recognised gains and losses

for the year ended 31 December 2007

There are no recognised gains or losses in 2007 other than the profit for the year then ended of £9,472,000 (2006: £1,524,000).

## Balance sheet

at 31 December 2007

	Notes	2007 £'000	2006 £'000
<b>Fixed assets</b>			
Tangible assets	10	35,670	34,261
Investment in Commercial Vehicle Contracts Limited	11	560	560
		<u>36,230</u>	<u>34,821</u>
<b>Current assets</b>			
Stocks	12	619	1,475
Debtors (including £146,489,000 (2006: £145,820,000) representing amounts falling due after more than one year)	13	245,115	236,207
Cash at bank		246	16
		<u>245,980</u>	<u>237,698</u>
<b>Creditors</b> : amounts falling due within one year	14	(215,814)	(212,606)
<b>Net current assets</b>		<u>30,166</u>	<u>25,092</u>
<b>Total assets less current liabilities</b>		<u>66,396</u>	<u>59,913</u>
<b>Creditors</b> : amounts falling due after more than one year	15	(29,793)	(32,160)
Provision for liabilities and charges	16	-	(622)
		<u>36,603</u>	<u>27,131</u>
		<u><u>36,603</u></u>	<u><u>27,131</u></u>
<b>Capital and Reserves</b>			
Called up share capital	17	25,600	25,600
Profit and loss account	18	11,003	1,531
	18	<u>36,603</u>	<u>27,131</u>
		<u><u>36,603</u></u>	<u><u>27,131</u></u>

Approved by the Board



R E Armstrong  
Director

Date: 26/06/08

## Notes to the financial statements

at 31 December 2007

### 1. Accounting policies

#### *Accounting convention*

The financial statements are prepared under the historical cost convention, and have been prepared in accordance with applicable accounting standards.

#### *Group financial statements*

The company is exempt from preparing and delivering group financial statements under section 228 of the Companies Act 1985 (subsidiary of a European Union parent).

The financial statements present information about the company's own individual undertaking and not part of the group as a whole.

#### *Depreciation of tangible fixed assets*

The cost of tangible fixed assets on operating leases, less estimated residual value, is written off by equal monthly instalments over the period of the lease.

#### *Earned finance charges, interest income and operating lease income*

Finance charges on retail instalment finance agreements are included in income on the actuarial method before tax. Interest income on wholesale finance agreements (prior to the decision to assign these agreements to PFSE) and loans is included as earned on the reducing balance basis. Operating leases are included in income on equal monthly instalments over the period of the lease.

#### *Deferred taxation*

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, except that deferred tax assets are recognised only to the extent that the directors consider it more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantially enacted at the balance sheet date.

#### *Foreign currencies*

Assets, liabilities, revenues and costs denominated in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities at the balance sheet date are translated at the year end rate of exchange. All exchange differences thus arising are reported as part of the profit for the year.

#### *Finance agreements and operating leases*

The amounts due under finance agreements are recorded in the balance sheet as debtors at the amount of the net investment in the agreement. Equipment on operating leases are included in fixed assets at written down book value.

## Notes to the financial statements

at 31 December 2007

### 1. Accounting policies (continued)

#### *Pensions*

The company contributes to a group operated defined benefit pension scheme. Contributions are charged to the profit and loss account so as to spread the cost of pensions over the employees' working lives with the company. Differences between the amounts funded and amounts charged to the profit and loss account are treated as either provisions or prepayments in the balance sheet. The company is unable to identify its share of the underlying assets and liabilities, therefore disclosures in respect of the valuations of the scheme are made on a group basis.

#### *Cash flow statement*

The company is a wholly-owned subsidiary of PACCAR Inc and is included in the consolidated financial statements of PACCAR Inc which are publicly available. Consequently the company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1(revised).

### 2. Turnover

Turnover arises in the UK and is shown net of VAT and trade discounts and comprises:

	2007 £'000	2006 £'000
Earned finance charges and interest income	18,648	16,788
Operating lease income	12,956	12,971
Repair and maintenance income	48,192	43,885
	<u>79,796</u>	<u>73,644</u>

### 3. Operating profit

This is stated after charging:

	2007 £'000	2006 £'000
Depreciation (see note 10) - fixed assets on operating leases	9,434	9,922
Auditor's remuneration - audit services	51	51
- non-audit services	25	25
	<u></u>	<u></u>

Included within administrative expenses are credits made in respect of bad and doubtful debts amounting to (£135,170) (2006: charge of £1,248,900).

### 4. Auditors' remuneration

The remuneration of the auditors is analysed as follows:

	2007 £'000	2006 £'000
Audit of the financial statements	51	51
Other fees to auditors – tax services	25	25
	<u>76</u>	<u>76</u>

## Notes to the financial statements

at 31 December 2007

### 5. Interest payable

	2007	2006
	£'000	£'000
To group undertakings	10,305	9,965
On bank borrowing and financial instruments	-	9
	<u>10,305</u>	<u>9,974</u>

### 6. Interest receivable

	2007	2006
	£'000	£'000
Bank interest receivable	466	1,307
	<u>466</u>	<u>1,307</u>

### 7. Directors' emoluments

The directors of the company are also directors or officers of a number of other companies within the PACCAR Inc group. The directors' services to the company do not occupy a significant amount of their time. As such the directors do not receive any remuneration for any incidental services to the company for the years ended 31 December 2007 and 31 December 2006.

The number of directors exercising share options in PACCAR Inc in the year was 2 (2006: 2).

The number of directors in respect of whom contributions were made into the group defined benefit scheme was nil (2006: nil).

### 8. Employees

The average number of employees for the year, excluding directors, was as follows:

	2007	2006
	No.	No.
Sales	13	13
Management and administration	59	59
	<u>72</u>	<u>72</u>

Employee costs can be summarised as follows:

	2007	2006
	£'000	£'000
Salaries	2,653	2,512
Social security costs	236	248
Pension costs (note 21)	269	245
	<u>3,158</u>	<u>3,005</u>

## Notes to the financial statements

at 31 December 2007

### 9. Taxation

#### (a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	2007 £'000	2006 £'000
<i>Current tax:</i>		
UK corporation tax	272	3,621
Tax (over)/under-provided in previous years	(126)	(64)
Total current tax (note (b))	146	3,557
<i>Deferred tax:</i>		
Origination and reversal of timing differences	-	-
Total deferred tax (note (d))	-	-
Tax on profit on ordinary activities	146	3,557

#### (b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 30% (2006: 30%). The differences are reconciled below:

	2007 £'000	2006 £'000
Profit on ordinary activities before tax	9,618	5,081
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2006: 30%)	2,885	1,524
<i>Effects of:</i>		
Expenses not deductible for tax purposes	19	16
Accelerated capital allowances and other timing differences	(2,756)	2,081
Tax (over)/under-provided in previous years	(126)	(64)
Effect of reduction in deferred tax rate from 30% to 28%	124	-
	146	3,557

#### (c) Factors that may affect future tax charges

The amount of the deferred tax asset (note (d)) has been restricted to the amount that is expected to reverse over the next few years.

From 1 April 2008, the UK corporation tax rate will reduce from 30% to 28%. This rate change will both affect the amount of future cash tax payments to be made by the company and will also reduce the size of the company's deferred tax asset. Changes to the UK capital allowance regime have also been proposed; the most significant of these changes for the company is the reduction in the rate of capital allowances applicable to plant and machinery expenditure from 25% to 20% per annum on a reducing balance basis. The effect on the company of these proposed changes to the UK tax system will be fully reflected in the company's financial statements for the year ending 31 December 2008.

## Notes to the financial statements

at 31 December 2007

### 9. Taxation (continued)

(d) *Deferred tax*

The deferred tax asset included in the balance sheet is as follows:

	2007 £000	2006 £000
Tax losses	-	-
Total deferred tax asset	-	-

*Movements in deferred tax are as follows:*

	£'000
At 31 December 2006	-
Deferred tax debit in profit and loss account (note 9(a))	-
At 31 December 2007	-

*The deferred tax asset not recognised as its recovery is not reasonably certain is as follows:*

	2007 £000	2006 £000
Timing differences	1,538	1,660
Capital allowances in advance of depreciation	191	2,825
	1,729	4,485

## Notes to the financial statements

at 31 December 2007

### 10. Tangible fixed assets

	<i>Equipment on operating leases £'000</i>
<i>Cost:</i>	
At 1 January 2007	46,061
Additions	18,529
Disposals	(15,426)
At 31 December 2007	49,164
<i>Depreciation:</i>	
At 1 January 2007	11,800
Charge for the year	9,434
Disposals	(7,740)
At 31 December 2007	13,494
<i>Net book value:</i>	
At 31 December 2007	35,670
At 31 December 2006	34,261

### 11. Investments

On 1 April 2005 the company acquired 100% of the share capital and voting rights of Commercial Vehicle Contracts Limited, a finance company registered in the United Kingdom, for consideration of £560,000. This investment was held at cost at the year end.

### 12. Stocks

Stocks are stated at the lower of residual value and net realisable value.

	<i>2007 £'000</i>	<i>2006 £'000</i>
Used trucks for resale	619	1,475



## Notes to the financial statements

at 31 December 2007

### 13. Debtors

	2007	2006
	£'000	£'000
Finance agreements (note 20)	233,864	227,524
Amounts due from group undertakings	512	1,684
Other debtors	4,816	6,017
Prepayments	4,077	857
Other taxation and social security	1,846	125
	<u>245,115</u>	<u>236,207</u>

Included within finance agreements is an amount of £146,489,000 (2006: £145,820,000) falling due after more than one year.

### 14. Creditors: amounts falling due within one year

	2007	2006
	£'000	£'000
Bank overdraft	31	288
Trade creditors	1,660	3,251
Amounts due to group undertakings	200,618	192,998
Corporation tax	-	2,238
R&M deferred income	11,209	9,250
Accruals and other creditors	2,296	4,581
	<u>215,814</u>	<u>212,606</u>

### 15. Creditors: amounts falling due after more than one year

	2007	2006
	£'000	£'000
R&M deferred income	29,635	31,628
Payments on account	158	532
	<u>29,793</u>	<u>32,160</u>

## Notes to the financial statements

at 31 December 2007

### 16. Provisions for liabilities and charges

	<i>Losses on repairs and maintenance contracts £000</i>
At 31 December 2006	622
Decrease during the year	(622)
At 31 December 2007	-

#### *Losses on repairs and maintenance contracts*

A provision is recognised for expected future losses on repairs and maintenance contracts.

### 17. Share capital

	<i>2007 No '000</i>	<i>2006 No '000</i>	<i>2007 £'000</i>	<i>2006 £'000</i>
<i>Authorised, allotted, called up and fully paid:</i>				
Ordinary shares of £1 each	25,600	25,600	25,600	25,600

### 18. Reconciliation of shareholders' funds and movements on reserves

	<i>Share capital £'000</i>	<i>Profit and loss account £'000</i>	<i>Total £'000</i>
At 31 December 2005	25,600	7	25,607
Profit for the year	-	1,524	1,524
At 31 December 2006	25,600	1,531	27,131
Profit for the year	-	9,472	9,472
At 31 December 2007	25,600	11,003	36,603

## Notes to the financial statements

at 31 December 2007

### 19. Contingent liabilities

The company, in providing residual value guarantees to purchasers of DAF Vehicles and Foden Vehicles, has entered into contracts committing it (where the purchaser exercises the guarantee) to purchase vehicles for guaranteed residual amounts totalling £87,112,000 (2006: £71,519,000).

PACCAR Financial Limited has entered into agreements with DAF Trucks Limited for DAF Vehicles and PACCAR UK Limited for Foden Vehicles (up to July 2006), whereby the risk and reward on the contracts is borne by these companies and not PACCAR Financial Limited.

The amount of these commitments can be analysed as follows:

	2007 £'000	2006 £'000
2007	-	14,699
2008	22,780	19,733
2009	20,364	18,031
2010	23,877	10,018
2011	10,600	7,288
2012	8,640	1,614
2013	532	69
2014	319	67
	<u>87,112</u>	<u>71,519</u>

These amounts assume that all vehicles presently covered by residual value guarantee contracts require repurchasing by the company.

### 20. Finance agreements

	2007 £'000	2006 £'000
<i>Amounts in debtors under finance agreements (note 13) comprise:</i>		
Finance leases	87,227	88,626
Retail lease/hire purchase contracts	146,637	138,898
	<u>233,864</u>	<u>227,524</u>
<i>Cost of assets acquired:</i>		
Finance leases	29,574	39,422
Retail lease/hire purchase contracts	18,529	20,818
	<u>48,103</u>	<u>60,240</u>
<i>Capital element of rentals received in the year:</i>		
Finance leases	28,170	37,663
Retail lease/hire purchase contracts	88,711	65,969
	<u>116,881</u>	<u>103,632</u>

## Notes to the financial statements

at 31 December 2007

### 21. Pension scheme

The company participates in the DAF Trucks Limited Pension Scheme. The scheme is a defined benefit scheme providing benefits based on final pensionable pay and is a funded scheme. The assets of the scheme are held separately from those of the company and are invested by professional investment managers. The company is unable to identify its share of the underlying assets and liabilities. Therefore for the purposes of FRS 17 the company's pension arrangements will be accounted for as a defined contribution scheme. Contributions paid by the company during the year totalled £269,000 (2006: £245,000).

### 22. Related party transactions

PACCAR Financial Limited's financial statements are consolidated in the publicly available financial statements of its ultimate holding company PACCAR Inc. Accordingly transactions with group companies are not disclosed under the exemption provided in Financial Reporting Standard 8.

There were no other related party transactions in the current year.

### 23. Parent undertakings and controlling party

The company's immediate parent undertaking is PACCAR Financial Holdings Europe BV which is incorporated in the Netherlands.

In the directors' opinion the company's ultimate parent undertaking and controlling party is PACCAR Inc a company incorporated in the United States of America. PACCAR Financial Europe BV is the smallest group and PACCAR Inc is the largest group of which the company is a member and for which group financial statements are prepared. Copies of the group financial statements can be obtained respectively from The Controller, PACCAR Financial Europe BV, Hugo van der Goeslaan 1, 5643 TW Eindhoven, The Netherlands and The Secretary, PACCAR Inc, PO Box 1518, Bellevue, Washington 98009, USA.

## **Independent auditors' report to the members of PACCAR Financial Limited**

We have audited the company's financial statements for the year ended 31 December 2008 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 22. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

The directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, are properly prepared in accordance with the Companies Act 1985 and that the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

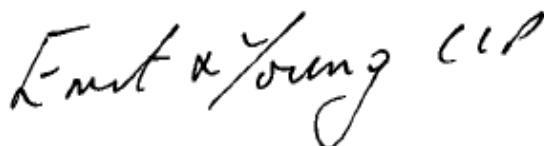
## Independent auditors' report

to the members of PACCAR Financial Limited (continued)

### Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.



Ernst & Young LLP  
Registered Auditor  
Reading

Date: 24 June 2009

## Profit and loss account

for the year ended 31 December 2008

	Notes	2008 £'000	2007 £'000
<b>Turnover</b>	2	85,678	79,796
Cost of sales before exceptional items		(59,978)	(55,321)
Exceptional item – fixed asset impairment		(1,987)	-
Total cost of sales		(61,965)	(55,321)
<b>Gross profit</b>		23,713	24,475
Administrative expenses	3	(5,456)	(5,018)
<b>Operating profit</b>	3	18,257	19,457
Interest payable	5	(12,050)	(10,305)
Interest receivable	6	674	466
<b>Profit on ordinary activities before taxation</b>		6,881	9,618
Taxation	9	(1,946)	(146)
<b>Profit on ordinary activities after taxation</b>		4,935	9,472

## Statement of total recognised gains and losses

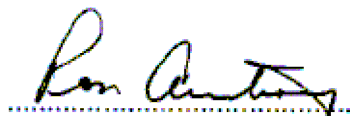
for the year ended 31 December 2008

There are no recognised gains or losses in 2008 other than the profit for the year then ended of £4,935,000 (2007: £9,472,000).

**Balance sheet****at 31 December 2008**

	<i>Notes</i>	<i>2008</i> <i>£'000</i>	<i>2007</i> <i>£'000</i>
<b>Fixed assets</b>			
Tangible assets	10	44,480	35,670
Investment in Commercial Vehicle Contracts Limited	11	560	560
		<u>45,040</u>	<u>36,230</u>
<b>Current assets</b>			
Stocks	12	3,145	619
Debtors (including £160,282,000 (2007: £146,489,000) representing amounts falling due after more than one year)	13	261,407	245,115
Cash at bank		84	246
		<u>264,636</u>	<u>245,980</u>
<b>Creditors: amounts falling due within one year</b>	14	(233,407)	(215,814)
<b>Net current assets</b>		<u>31,229</u>	<u>30,166</u>
<b>Total assets less current liabilities</b>		<u>76,269</u>	<u>66,396</u>
<b>Creditors: amounts falling due after more than one year</b>	15	(34,731)	(29,793)
		<u>41,538</u>	<u>36,603</u>
<b>Capital and Reserves</b>			
Called up share capital	16	25,600	25,600
Profit and loss account	17	15,938	11,003
	17	<u>41,538</u>	<u>36,603</u>

Approved by the Board


R E Armstrong  
Director

Date: 6/17/09



## Balance sheet

at 31 December 2008

### 1. Accounting policies

#### ***Accounting convention***

The financial statements are prepared under the historical cost convention, and have been prepared in accordance with applicable accounting standards.

#### ***Group financial statements***

The company is exempt from preparing and delivering group financial statements under section 228 of the Companies Act 1985 (subsidiary of a European Union parent). The financial statements present information about the company's own individual undertaking and not part of the group as a whole.

#### ***Tangible fixed assets***

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. This includes costs directly attributable to making the asset capable of operating as intended. The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate that the estimated residual value may not be recoverable.

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, by equal monthly instalments over the period of the lease.

#### ***Stocks***

Stocks are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition. Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

#### ***Earned finance charges, interest income and operating lease income***

Finance charges on retail instalment finance agreements are included in income on the interest method before tax. Interest income on wholesale finance agreements (prior to the decision to assign these agreements to PACCAR Financial Services Europe) and loans is included as earned on the reducing balance basis. Operating leases are included in income on equal monthly instalments over the period of the lease.

#### ***Deferred taxation***

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, except that deferred tax assets are recognised only to the extent that the directors consider it more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantially enacted at the balance sheet date.

#### ***Foreign currencies***

Assets, liabilities, revenues and costs denominated in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities at the balance sheet date are translated at the year end rate of exchange. All exchange differences thus arising are reported as part of the profit for the year.

#### ***Finance agreements and operating leases***

The amounts due under finance agreements are recorded in the balance sheet as debtors at the amount of the net investment in the agreement. Equipment on operating leases is included in fixed assets at written down book value.

## Balance sheet

at 31 December 2008

### Accounting policies (continued)

#### Investments

Investments are accounted for at the lower of cost or net realisable value. The carrying values of investments are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

#### Pensions

The company contributes to a group operated defined benefit pension scheme. Contributions are charged to the profit and loss account so as to spread the cost of pensions over the employees' working lives with the company. Differences between the amounts funded and amounts charged to the profit and loss account are treated as either provisions or prepayments in the balance sheet. The company is unable to identify its share of the underlying assets and liabilities, therefore disclosures in respect of the valuations of the scheme are made on a group basis.

#### Cash flow statement

The company is a wholly-owned subsidiary of PACCAR Inc and is included in the consolidated financial statements of PACCAR Inc which are publicly available. Consequently the company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1(revised).

## 2. Turnover

Turnover arises in the UK and is shown net of VAT and trade discounts and comprises:

	2008 £'000	2007 £'000
Earned finance charges and interest income	19,787	18,648
Operating lease income	14,718	12,956
Repair and maintenance income	51,173	48,192
	<u>85,678</u>	<u>79,796</u>

## 3. Operating profit

This is stated after charging:

	2008 £'000	2007 £'000
Depreciation (see note 10) - fixed assets on operating leases	12,460	9,434
Auditor's remuneration - audit services	55	51
- non-audit services	20	25
	<u></u>	<u></u>

**Balance sheet**

at 31 December 2008

**3. Operating profit (continued)**

Administrative expenses is analysed as follows:-

	2008 £'000	2007 £'000
Employee costs (see note 8)	3,113	3,158
Management fees	472	588
Bad debt write offs	460	(135)
Others	1,411	1,407
	<u>5,456</u>	<u>5,018</u>

**4. Auditors' remuneration**

The remuneration of the auditors is analysed as follows:

	2008 £'000	2007 £'000
Audit of the financial statements	55	51
Other fees to auditors – tax services	20	25
	<u>75</u>	<u>76</u>

**5. Interest payable**

	2008 £'000	2007 £'000
To group undertakings	12,050	10,305

**6. Interest receivable**

	2008 £'000	2007 £'000
Bank interest receivable	674	466

**7. Directors' emoluments**

The directors of the company are also directors or officers of a number of other companies within the PACCAR Inc group. The directors' services to the company do not occupy a significant amount of their time. As such the directors do not receive any remuneration for any incidental services to the company for the years ended 31 December 2008 and 31 December 2007.

The number of directors exercising share options in PACCAR Inc in the year was 1 (2007: 2). The number of directors in respect of whom contributions were made into the group defined benefit scheme was nil (2007: nil).

## Balance sheet

at 31 December 2008

### 8. Employees

The average number of employees for the year, excluding directors, was as follows:

	2008 No.	2007 No.
Sales	13	13
Management and administration	59	59
	<u>72</u>	<u>72</u>

Employee costs can be summarised as follows:

	2008 £'000	2007 £'000
Salaries	2,642	2,653
Social security costs	238	236
Pension costs (note 20)	233	269
	<u>3,113</u>	<u>3,158</u>

### 9. Taxation

(a) *Tax on profit on ordinary activities*

The tax charge is made up as follows:

	2008 £'000	2007 £'000
<i>Current tax:</i>		
UK corporation tax	2,570	272
Tax over-provided in previous years	(624)	(126)
Total current tax (note (b))	<u>1,946</u>	<u>146</u>
<i>Deferred tax:</i>		
Origination and reversal of timing differences	-	-
Total deferred tax (note (d))	<u>-</u>	<u>-</u>
Tax on profit on ordinary activities	<u>1,946</u>	<u>146</u>

## Balance sheet

at 31 December 2008

### 9. Taxation (continued)

*(b) Factors affecting current tax charge*

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 28% (2007: 30%). The differences are reconciled below:

	2008 £'000	2007 £'000
Profit on ordinary activities before tax	6,881	9,618
Profit on ordinary activities multiplied by compound rate of corporation tax in the UK of 28.5% (2007: 30%)	1,961	2,885
Expenses not deductible for tax purposes	17	19
Accelerated capital allowances and other timing differences	592	(2,756)
Tax over-provided in previous years	(624)	(126)
Effect of reduction in deferred tax rate from 30% to 28%	-	124
	1,946	146

*(c) Factors that may affect future tax charges*

No deferred tax asset has been recorded at 31<sup>st</sup> December 2008 or 2007 as the temporary timing differences are not expected to reverse over the next few years.

*(d) Deferred tax*

No deferred tax balances are included in the balance sheet at 31<sup>st</sup> December 2008 or 2007.

*The deferred tax asset not recognised as its recovery is not reasonably certain is as follows:*

	2008 £000	2007 £000
Timing differences	1,636	1,538
Depreciation in advance of capital allowances	2	191
	1,638	1,729

## Balance sheet

at 31 December 2008

### 10. Tangible fixed assets

	<i>Equipment on operating leases £'000</i>
<i>Cost:</i>	
At 1 January 2008	49,164
Additions	30,935
Disposals	(17,306)
At 31 December 2008	62,793
<i>Depreciation:</i>	
At 1 January 2008	13,494
Charge for the year	12,460
Disposals	(7,641)
At 31 December 2008	18,313
<i>Net book value:</i>	
At 31 December 2008	44,480
At 31 December 2007	35,670

The depreciation charge for the year ending 31<sup>st</sup> December 2008 includes an impairment against the value of trucks held on operating leases of £1,987k (2007: credit of £(166)k).

### 11. Investments

On 1 April 2005 the company acquired 100% of the share capital and voting rights of Commercial Vehicle Contracts Limited, a finance company registered in the United Kingdom, for consideration of £560,000. This investment was held at cost at the year end.

### 12. Stocks

Stocks are stated at the lower of residual value and net realisable value.

	<i>2008 £'000</i>	<i>2007 £'000</i>
Used trucks for resale	3,145	619

**Balance sheet**

at 31 December 2008

**13. Debtors**

	2008	2007
	£'000	£'000
Finance agreements (note 19)	250,982	233,864
Amounts due from group undertakings	2,519	512
Other debtors	7,234	4,816
Prepayments	672	4,077
Other taxation and social security	-	1,846
	<u>261,407</u>	<u>245,115</u>

Included within finance agreements is an amount of £160,282,000 (2007: £146,489,000) falling due after more than one year.

**14. Creditors: amounts falling due within one year**

	2008	2007
	£'000	£'000
Bank overdraft	40	31
Trade creditors	3,435	1,660
Amounts due to group undertakings	218,192	200,618
Corporation tax	541	-
Other taxation and social security	876	-
R&M deferred income	7,681	11,209
Accruals and other creditors	2,642	2,296
	<u>233,407</u>	<u>215,814</u>

**15. Creditors: amounts falling due after more than one year**

	2008	2007
	£'000	£'000
R&M deferred income	34,731	29,635
Payments on account	-	158
	<u>34,731</u>	<u>29,793</u>

**Balance sheet**

at 31 December 2008

**16. Share capital***Authorised, allotted, called up and fully paid:*

	2008 No '000	2007 No '000	2008 £'000	2007 £'000
Ordinary shares of £1 each	25,600	25,600	25,600	25,600

**17. Reconciliation of shareholders' funds and movements on reserves**

	Share capital £'000	Profit and loss account £'000	Total £'000
At 31 December 2006	25,600	1,531	27,131
Profit for the year	-	9,472	9,472
Dividends paid	-	-	-
At 31 December 2007	25,600	11,003	36,603
Profit for the year	-	4,935	4,935
Dividends paid	-	-	-
At 31 December 2008	25,600	15,938	41,538

**18. Contingent liabilities**

The company, in providing residual value guarantees to purchasers of DAF Vehicles and Foden Vehicles, has entered into contracts committing it (where the purchaser exercises the guarantee) to purchase vehicles for guaranteed residual amounts totalling £95,008,000 (2007: £87,112,000).

PACCAR Financial Limited has entered into agreements with DAF Trucks Limited for DAF Vehicles and PACCAR UK Limited for Foden Vehicles (up to July 2006), whereby the risk and reward on the contracts is borne by these companies and not PACCAR Financial Limited.

The amount of these commitments can be analysed as follows:

	2008 £'000	2007 £'000
2008	-	22,780
2009	24,386	20,364
2010	25,534	23,877
2011	18,978	10,600
2012	11,580	8,640
2013	10,251	532
2014	1,426	319
2015	2,853	-
	95,008	87,112

These amounts assume that all vehicles presently covered by residual value guarantee contracts require repurchasing by the company.



## Balance sheet

at 31 December 2008

### 19. Finance agreements

	2008 £'000	2007 £'000
<i>Amounts in debtors under finance agreements (note 13) comprise:</i>		
Finance leases	98,610	87,227
Retail lease/hire purchase contracts	152,372	146,637
	<u>250,982</u>	<u>233,864</u>
<i>Cost of assets acquired:</i>		
Finance leases	45,758	29,574
Retail lease/hire purchase contracts	30,935	18,529
	<u>76,693</u>	<u>48,103</u>
<i>Capital element of rentals received in the year:</i>		
Finance leases	31,280	28,170
Retail lease/hire purchase contracts	96,073	88,711
	<u>127,353</u>	<u>116,881</u>

### 20. Pension scheme

The company participates in the PACCAR UK Pension Plan. The scheme is a defined benefit scheme providing benefits based on final pensionable pay and is a funded scheme. The assets of the scheme are held separately from those of the company and are invested by professional investment managers. The company is unable to identify its share of the underlying assets and liabilities. Therefore for the purposes of FRS 17 the company's pension arrangements will be accounted for as a defined contribution scheme. Contributions paid by the company during the year totalled £233,000 (2007: £269,000). There was no unpaid contribution at the year end (2007: nil).

### 21. Related party transactions

PACCAR Financial Limited's financial statements are consolidated in the publicly available financial statements of its ultimate holding company PACCAR Inc. Accordingly transactions with group companies are not disclosed under the exemption provided in Financial Reporting Standard 8.

There were no other related party transactions in the current year.

### 22. Parent undertakings and controlling party

The company's immediate parent undertaking is PACCAR Financial Holdings Europe BV which is incorporated in the Netherlands.

In the directors' opinion the company's ultimate parent undertaking and controlling party is PACCAR Inc a company incorporated in the United States of America. PACCAR Financial Europe BV is the smallest group and PACCAR Inc is the largest group of which the company is a member and for which group financial statements are prepared. Copies of the group financial statements can be obtained respectively from The Controller, PACCAR Financial Europe BV, Hugo van der Goeslaan 1, 5643 TW Eindhoven, The Netherlands and The Secretary, PACCAR Inc, PO Box 1518, Bellevue, Washington 98009, USA.

## **REGISTERED OFFICE OF THE ISSUERS**

**PACCAR Financial Europe B.V.**  
Hugo van der Goeslaan 1  
5643 TW Eindhoven, The Netherlands

**PACCAR Financial PLC**  
9400 Garsington Road, Oxford Business Park  
Oxford, OX4 2HN, United Kingdom

## **REGISTERED OFFICE OF PACCAR**

777 106th Avenue N.E.  
Bellevue, Washington 98004  
United States of America

## **DEALERS**

**BNP Paribas**  
10 Harewood Avenue  
London NW1 6AA

**Barclays Bank PLC**  
5 The North Colonnade  
Canary Wharf  
London E14 4BB

**Banco Bilbao Vizcaya Argentaria, S.A.**  
Via de los Poblados s/n-2  
28033 Madrid

**The Royal Bank of Scotland plc**  
135 Bishopsgate  
London EC2M 3UR

**UBS Limited**  
1 Finsbury Avenue  
London EC2M 2PP

**HSBC Bank plc**  
8 Canada Square  
London E14 5HQ

**ING Bank N.V.**  
Foppingadreef 7,  
1102 BD, Amsterdam,  
The Netherlands

## **FISCAL AGENT & CALCULATION AGENT**

**Citibank, N.A., London Branch**  
21st Floor, Citigroup Centre  
Canada Square  
Canary Wharf  
London E14 5LB

## **PAYING AGENT**

**Citibank, N.A., London Branch**  
Citigroup Centre  
Canada Square  
Canary Wharf  
London E14 5LB

## **LEGAL ADVISERS**

*To the Issuers and PACCAR  
as to English law:*

**Clifford Chance LLP**  
10 Upper Bank Street  
London E14 5JJ

*To the Dealers as to English law:*

**Linklaters LLP**  
One Silk Street  
London EC2Y 8HQ

*To the Issuers and PACCAR  
as to Netherlands law:*

**Clifford Chance LLP**  
Droogbak 1A  
1013 GE Amsterdam

*To the Dealers as to Netherlands law:*

**Linklaters LLP**  
WTC Amsterdam  
Zuidplein 180  
1077 XV Amsterdam

**AUDITORS TO PFE**

**Ernst & Young  
Accountants LLP**  
P.O. Box 455  
5600 AL Eindhoven  
The Netherlands

**AUDITORS TO PFP**

**Ernst & Young LLP**  
Apex Plaza  
Forbury Road  
Reading, RG1 1YE  
United Kingdom

**AUDITORS TO PACCAR**

**Ernst & Young LLP**  
Suite 3500  
999 Third Avenue  
Seattle, WA 98104-4086