

Packard Motor Car Company

Thirtieth

Annual Report

for

Year Ending December 31, 1933

To be submitted to Stockholders at the Annual Meeting in Detroit, Michigan, Monday, April 16, 1934

*To the Stockholders of the
Packard Motor Car Company:*

The Consolidated Balance Sheet at December 31, 1933, and Statement of Income and Additions to Surplus for the year 1933 are herewith submitted as certified by independent auditors, Price, Waterhouse & Co.

PROFITS FOR 1933

Net profit and other additions to surplus for the year 1933 totaled \$506,433.91. Net loss for the previous year was \$6,824,311.72 after all charges including a special charge against earnings of \$1,000,000 which was added to the Reserve for General Purposes to provide for any losses that might occur in connection with our deposits in closed banks.

Conditions generally were unsatisfactory during the first quarter of 1933 due in part to the banking difficulties throughout the country and other uncertainties which tended to retard business. In the first quarter registrations of new cars of all makes in the United States were 13.1 per cent less than in the corresponding quarter in 1932. However, in the last three quarters of the year conditions improved generally and total registrations were 51.8 per cent greater than in the same period the year before. We were in an enviable position to take advantage of the general business recovery because we had announced our new 1934 cars early in September and therefore the strike of tool and die workers which occurred later in the fall did not delay production of our new models.

INCOME AND ADDITIONS TO SURPLUS

Factory Sales at wholesale prices totaled \$19,229,789.74, an increase of 23.9 per cent over our 1932 sales which amounted to \$15,515,695.67. Unit sales exceeded those in 1932 by a small margin, the principal reason for the substantial gain in our dollar sales volume being the increased proportion of our higher priced cars to total car sales.

Other Income for the year totaled \$402,092.65 of which \$310,627.68 was interest earned on United States Government Bonds and other marketable securities and the remainder came from cash discount on purchases, rentals and from miscellaneous sources.

Selling, Administrative and General Expense amounted to \$1,618,874.75 which was a further reduction of \$342,125.61 or 17.4% even though we did a greater volume of business than the year before.

Depreciation on Factory Properties amounted to \$1,878,311.27. We continued our usual conservative policy with respect to depreciation as in previous years.

Provision has been made for carrying our securities at the lower of cost or market values at December 31, 1933, by charging \$194,241.97 against earnings for the year.

Net profit from factory operations totaled \$297,000.54 compared with a loss of \$5,990,124.88 in 1932. Loss from the operations of branches and subsidiary companies amounted to \$189,919.73, as against a loss of \$834,186.84 in 1932.

Total additions to Surplus amounted to \$506,433.91 including \$107,080.81 operating profit. The difference, \$399,353.10, consists of (1) an excess of \$261,469.80 in the reserve we provided last year to cover our deposits in closed banks and (2) a refund by the United States Government of \$137,883.30 covering an over-assessment of federal income tax paid by the Company for the year 1930.

BALANCE SHEET

Our Cash and Marketable Securities totaled \$15,161,361.47 at the end of the year. Of this amount \$3,587,911.98 was in cash (not including cash in closed banks), \$10,867,588.24 was in United States Government Securities and \$705,861.25 was in Municipal State and Canadian Bonds. The increase in our cash and securities, in comparison with the previous year-end, was \$1,773,749.25.

Accounts Receivable and Deferred Installment Notes together increased \$340,584.07 and were respectively \$605,761.50 and \$1,033,999.76 at the end of the year. The increase was due to the substantially larger volume of our business as the year ended, compared with the previous year-end.

Inventories of raw materials, work in process and finished cars, at or below cost were reduced \$311,933.73 and totaled \$5,450,800.43.

Current Assets increased \$1,802,399.59, totaling \$22,251,923.16 at the close of the year.

Current Liabilities, consisting of Current Accounts Payable, Payrolls and Miscellaneous Liabilities and Items, were practically unchanged from last year, being \$2,329,623.57 as compared with \$2,324,590.28.

The ratio of Current Assets to Current Liabilities was 9.55 to 1 as against 8.8 to 1 at the end of the previous year.

Mortgages and Miscellaneous Investments were reduced \$81,082.37 to \$775,918.00, by regular payments received during the year.

Cash in Closed Banks amounting to \$656,295.27 has been shown as a separate item. We have provided a specific reserve to cover that entire amount, although we believe that some part of these remaining deposits will be returned to us.

Our Property Investment at the end of the year was \$29,116,913.21 which was \$2,201,798.75 lower than at the previous year-end. For the fourth consecutive year our property investment has been reduced primarily for the reason that provision for depreciation exceeded plant expenditures. This reduction measured over the four year period amounts to \$8,753,341.58 or 23.1 per cent of our property investment as it was December 31, 1929. Our buildings and production facilities have been maintained in good order and condition during the year.

Deferred Charges, consisting of prepaid insurance, taxes and expenditures for engineering development materials were \$339,554.43 at the end of the year, somewhat less than at the previous year-end when they totaled \$347,605.70.

The Reserve for General Purposes is shown as \$1,250,000, a reduction from last year of \$1,000,000. This decrease is accounted for as follows: (1) We established the separate reserve of \$656,295.27 for Cash in Closed Banks. (2) We charged against the reserve \$82,234.93, the un-amortized value of one of our Detroit Branch buildings which was razed because it was unsuited for further use and costly to maintain. (3) We returned the remaining difference of \$261,469.80 to our Surplus Account.

There was no change during the year in the Capital Stock which totals \$40,000,000 and is represented by 15,000,000 shares of no par value common stock outstanding. Surplus, after total additions of \$506,433.91 for the year, was \$8,904,685.23 and at December 31, 1933 Capital and Surplus together amounted to \$48,904,685.23 which was equivalent to a book value of \$3.26 per share.

At the end of the year the common stock of the Company was held by 110,127 stockholders. We have no preferred stock, bonded indebtedness or bank loans.

GENERAL

As a whole the results for the year showed a marked improvement. We earned a profit and improved our strong financial position. Our production was 20.6 per cent greater than in 1932; our dollar sales volume was 23.9 per cent greater and at the end of the year our stock of cars at the factory and in the hands of distributors and dealers was 7.1 per cent less than at the close of the previous year.

Packard cars are outstanding in the fine car field. Their popularity is a tribute to their quality, to their design and to their individuality of appearance. Increased sales of them also shows the strength and stability of Packard distributors and dealers.

Our share of the fine cars sold in the United States was larger than in any year since 1929. Registrations of our new cars, the Packard Eight, Super Eight and Twelve, were 26.9 per cent greater in 1933 than in the previous year. In the export market Packard cars continue to be the most favored of American fine cars. The number of our cars shipped abroad exceeded by more than 60 per cent the combined foreign shipments of all other domestic makes of fine cars.

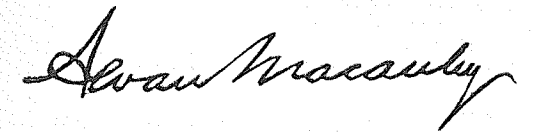
During the year we pointed out to stockholders that the general improvement in the automobile market benefited principally manufacturers of the lowest priced cars although, as reports show, our business benefited too. Notwithstanding our increasing share of the fine cars sold, we have been considering for some time the broadening of our markets to provide a greater use for our manufacturing facilities, by marketing a wider range of products for the benefit not only of the public but of our distributors and the company as well.

We are in an excellent position to do so. Our surveys indicate that there is a substantial market for an outstanding line of smaller and lower priced quality cars. We intend that any line of cars added shall be absolutely *non-competitive in price* with our present line of cars. We started some time ago the development of this lower priced car. The results are encouraging. We cannot say at this time when these new cars will be available. We still have research and development work to do, but we are forging ahead with a great deal of energy and enthusiasm. When we believe that they are as perfect as we know how to make them, and superior to the price class competition they will have to meet, we intend then to get their manufacture under way.

For the many who aspire to ownership of our cars, but who for one reason or another prefer a smaller and lower priced automobile, we intend to have in due time our lower priced car as outstanding in its price class as our present cars are outstanding in the high price field. The new car should have a unique position in the automobile market and should contribute substantially to the future growth of your Company.

My report may be delayed in reaching you because I have just returned from Washington. If time permitted I would relate to you the principal issues involved in the current labor problems as I know them. Perhaps you have kept yourself well informed through the press and otherwise. I suggest you do so because these matters are of important interest to all stockholders.

Detroit, Michigan
March 27, 1934


President

PACKARD MOTOR CAR COMPANY

AND SUBSIDIARY COMPANIES

Consolidated Balance Sheet as of December 31, 1933

ASSETS			LIABILITIES		
<u>CURRENT ASSETS:</u>			<u>CURRENT LIABILITIES:</u>		
Cash in Banks and on Hand	\$ 3,587,911.98		Current Accounts Payable and Payrolls	\$ 1,533,883.84	
United States Government Securities	10,867,588.24				
Municipal, State and Canadian Bonds	<u>705,861.25</u>	\$15,161,361.47	Miscellaneous Liabilities, Not Yet Due	537,039.73	
Accounts Receivable		605,761.50			
Deferred Installment Notes		1,033,999.76	Reserve for Miscellaneous Items	<u>258,700.00</u>	
Inventories at or below cost—			Total Current Liabilities		\$ 2,329,623.57
Raw Material, Work in Process, Etc.	\$ 2,661,394.53				
Finished Motor Carriages	<u>2,789,405.90</u>	<u>5,450,800.43</u>			
Total Current Assets		\$22,251,923.16			
			<u>RESERVE FOR GENERAL PURPOSES:</u>		\$ 1,250,000.00
<u>MORTGAGES AND MISCELLANEOUS INVESTMENTS, ETC.</u>		\$ 775,918.00			
<u>CASH IN CLOSED BANKS</u>		\$ 656,295.27	<u>RESERVE FOR CASH IN CLOSED BANKS:</u>		\$ 656,295.27
<u>PROPERTY ACCOUNT:</u>			<u>CAPITAL STOCK:</u>		
Land, Buildings, Plant Equipment, etc., at cost	\$45,095,879.28		Common (Authorized 25,000,000 Shares)		
<u>Less—Reserve for Depreciation</u>	<u>15,978,967.07</u>		No Par Value—Issued 15,000,000 Shares		\$40,000,000.00
Balance	\$29,116,912.21				
Rights, Privileges, Franchises and Inventions		<u>1.00</u>	<u>SURPLUS:</u>		
		\$29,116,913.21	Balance at December 31, 1932	\$ 8,398,251.32	
			<u>Add—Net Profit from Operations for the Year Ended December 31,</u>		
<u>DEFERRED CHARGES TO FUTURE OPERATIONS:</u>			1933 and Additions to Surplus	<u>506,433.91</u>	
Prepaid Insurance and Other Expense		\$ 339,554.43			\$ 8,904,685.23
Total Assets		<u>\$53,140,604.07</u>	Total Liabilities and Capital		<u>\$53,140,604.07</u>

PACKARD MOTOR CAR COMPANY
AND SUBSIDIARY COMPANIES

STATEMENT OF INCOME AND ADDITIONS TO SURPLUS
For the Year Ended December 31, 1933

PARTICULARS		Amount
<u>FACTORY SALES:</u>		
Carriages and Service Parts		\$19,229,789.74
<u>Deduct</u> —Cost of Sales		<u>15,643,453.86</u>
Gross Profit		\$ 3,586,335.88
<u>Add</u> —Other Income:		
Discount on Purchases	\$ 71,032.13	
Rentals	13,047.41	
Interest Earned	310,627.68	
Miscellaneous	<u>7,385.43</u>	<u>\$ 402,092.65</u>
<u>TOTAL GROSS PROFIT AND OTHER INCOME</u>		<u>\$ 3,988,428.53</u>
<u>Deduct</u> —Selling, Administrative, and General Expenses		<u>1,618,874.75</u>
Profit Before Deducting Depreciation and Special Item		\$ 2,369,553.78
<u>Deduct:</u>		
Depreciation of Factory Properties	\$ 1,878,311.27	
Provision to Reduce Carrying Values of Securities to Market Values	<u>194,241.97</u>	<u>\$ 2,072,553.24</u>
<u>NET PROFIT FROM FACTORY OPERATIONS</u>		<u>\$ 297,000.54</u>
<u>Deduct</u> —Loss From Operations of Branches and Subsidiary Companies		<u>189,919.73</u>
<u>NET PROFIT FOR THE YEAR ENDED DECEMBER 31, 1933</u>		<u>\$ 107,080.81</u>
<u>Add</u> —Other Additions to Surplus:		
Transfer From Reserve for General Purposes	\$ 261,469.80	
Refund of Federal Income Tax for Year 1930	<u>137,883.30</u>	<u>\$ 399,353.10</u>
<u>TOTAL NET PROFIT FROM OPERATIONS, AND OTHER ADDITIONS TO SURPLUS</u>		<u>\$ 506,433.91</u>

PRICE, WATERHOUSE & CO.

PENOBSCOT BUILDING
DETROIT

February 19, 1934

To the Directors and Stockholders,
Packard Motor Car Company.

We have made an examination of the books and accounts of Packard Motor Car Company and its subsidiary companies for the year ended December 31, 1933, and we certify that, in our opinion:

The balance sheet at that date and the relative statement of income and additions to surplus are correctly prepared therefrom.

Cash and securities, which we have verified by actual count or by certificates from the depositaries, are correctly stated and the amount at which securities are included in the current assets is the lower of cost or market values.

Full provision has been made for bad and doubtful notes and accounts receivable, and for all ascertained liabilities.

The valuations of the stocks of finished motor carriages, materials and supplies on hand, as shown by inventories certified by responsible officials, taken by the company at December 31, 1933, or at November 30, 1933, and correctly adjusted in respect of receipts and issues for the month of December, 1933, have been properly made at or below cost, all factory or inter-company profits having been eliminated.

The charges to property accounts during the year cover only actual additions and extensions to the properties and the provisions made for depreciation and accruing renewals are fair and reasonable.

The item of deferred charges represents expenditures reasonably and properly carried forward to operations in subsequent years.

The balance sheet and relative statement of income and additions to surplus are properly drawn up so as to show the financial position of the combined companies at December 31, 1933, and the results of operations for the year ended at that date.

PRICE, WATERHOUSE & CO.
Certified Public Accountants

A BRIEF FINANCIAL HISTORY
OF PACKARD MOTOR CAR COMPANY

The first Packard car was made by J. W. Packard and his brother, W. D. Packard, in a small factory at Warren, Ohio, in 1899. The plant was moved to Detroit in 1903 and a West Virginia corporation was then organized under the name of Packard Motor Car Company.

The Company became a Michigan corporation September 1, 1909. Its capitalization at that time consisted of \$5,000,000 common stock and \$5,000,000 preferred stock which was held by 69 stockholders.

The outstanding stock has been increased since that time by the following stock dividends: October 16, 1913, 40%; January 15, 1916, 10%; August 1, 1916, 50%; December 16, 1922, 100%; December 1, 1925, 10%; August 31, 1926, 15%; and on June 19, 1929, the stockholders authorized the exchange of 3,000,000 shares of \$10.00 Par Value Stock for 15,000,000 shares of Non-Par Value Stock.

The preferred stock amounting to \$14,789,800.00 was retired on August 31, 1925.

Effective January 1, 1930, the fiscal year was changed from the 12-month period ending August 31 to conform to the calendar year ending December 31. A report covering the interim period, September to December, 1929, inclusive, was issued to stockholders.

The following table shows the capitalization of the Company and changes therein:

	Preferred	Issued Common
September 1, 1909.....	\$ 5,000,000	\$ 5,000,000
October 16, 1913.....	8,000,000	7,000,000
January 15, 1916.....	8,000,000	7,771,830
August 1, 1916.....	8,000,000	11,840,930
June 26, 1919.....	14,789,800	11,885,100
December 16, 1922.....	14,789,800	23,770,200
December 1, 1925.....	None	26,146,260
August 31, 1926.....	None	30,042,640
August 31, 1929.....	None	50,000,000
April 18, 1932.....	None	40,000,000

PACKARD MOTOR CAR COMPANY
DETROIT, MICHIGAN

Incorporated under the Laws of Michigan

Directors

Truman H. Newberry
Henry E. Bodman

Alvan Macauley

James T. McMillan
Robert B. Parker

President and General Manager

Alvan Macauley

Vice-President and Secretary

Merlin A. Cudlip

Vice-President of Engineering

J. G. Vincent

Vice-President of Manufacturing

E. F. Roberts

Vice-President of Distribution

M. M. Gilman

Vice-President

Lee J. Eastman

Treasurer

Hugh J. Ferry

Vice-President and Patent Counsel

Milton Tibbetts

Comptroller

Eugene C. Hoelzle

*General Sales and Advertising
Manager*

F. H. McKinney

Vice-President and General Counsel

Henry E. Bodman

Subsidiary Companies

Packard Motor Car Company of New York

Packard Motor Car Company of Chicago

Packard Buffalo, Inc.

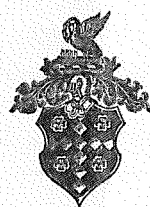
Packard Motor Car Company of Canada, Limited

Packard Motors Export Corporation

Packard Motor Sales Company

Packard Limited, London, Eng.

Auditors—Price, Waterhouse & Co.



ASK
THE MAN
WHO OWNS
ONE

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