

Packard Motor Car Company

Thirty-first Annual Report

for
Year Ending December 31, 1934

To be submitted to Stockholders at the Annual Meeting in Detroit, Michigan, Monday, April 15, 1935

Earlier conclusions and conjecture are borne out by the 31st annual report which the author found in a flea market in June 1973.

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

This report covers the operations of the Company for the fiscal and calendar year of 1934. Our report for the preceding year (1933) showed net profit and other additions to Surplus of \$506,433.91.

Our operations for 1934 show up less favorably from an earnings point of view largely because of the huge program undertaken in order to better adapt the Company's affairs to the changing times. It is well known that the demand for automobiles has been increasingly for those in the lower price brackets. This is a movement that has continued unchecked through the depression years. It has been a serious handicap to manufacturers of high priced fine quality cars. This classification is usually considered to include all cars having a list price of \$2,000 and over. It is the price class in which we have been operating with our three lines of cars: the Eight, the Super Eight and the Twelve. In this fine car class during the year 1934 Packard continued not only to hold its high prestige but sold a greater percentage of all the high priced business available than in any previous year. In 1933 we secured 38.4% of all high price business available. In 1934 this rose to 42.7%.

But the sales available to all manufacturers in this field continued to decline through the year with the result that the volume available to us was less than in the preceding year. The popularity of the fine cars is probably as great as ever. Certainly they are very wonderful vehicles, but fewer people feel that they can afford to buy them in these times. It still seems as true as ever it did, that with the return of real prosperity the sales of high priced cars will benefit correspondingly.

In view of existing conditions your directors decided more than a year ago to add a completely new line of Packard cars to sell in the \$1,000 price class. You may recall that in our Annual Report to you of last year the Company announced its determination to enlarge its market with a new line of quality cars of much lower price. The development work on these had then begun and has been diligently followed through during the past year. It was decided to call this new line of cars the Packard One Twenty, because that is the length of its wheelbase, and they are as you doubtless know now on the market. At this writing they are being shipped at the rate of 150 cars daily and are making a very fine impression on those whom we have so far been able to supply.

During the year we developed and perfected two new One Twenty chassis, one for cars and with seven new body types, and the other of longer wheelbase for commercial use and allied lines. This, too, is now on the market.

In addition, we developed a right drive chassis for sale in England and other countries preferring the driver's seat on the right side of the car. Some of these, too, have been shipped and have been exceptionally well received by our British distributor.

The export market for the new car is opening up splendidly, for the One Twenty seems to be specially adapted to export markets. Exports of Packard cars increased 22.8% in 1934 over the previous year, and again were more than the total for all other American cars combined in the high priced class. Reinforced now with the One Twenties our export market can be expected to expand many times over.

The Packard One Twenty is not a small car despite the fact that prices range from \$980 to \$1095.

The Surplus which at the beginning of the year stood at \$8,904,685.23 has been reduced by the losses recorded and chiefly on account of the Company's expansion program, to \$1,614,135.97. But it is the expectation as forecast in notices calling this meeting that the stockholders will return to Surplus the remaining \$10,000,000 that was transferred some years ago out of Surplus to Capital. With this accomplished the Surplus at December 31, 1934 would be \$11,614,135.97 and Capital Stock \$30,000,000.

GENERAL

In planning for the production of our new lower priced line we reinforced our organization by selecting additional men experienced and skilled in the engineering, in the manufacturing, and in the distribution of low priced cars. So that our organization now consists of highly trained specialists in all the lines we are offering to the public. We have as a whole what we have good reason to believe is a very efficient organization.

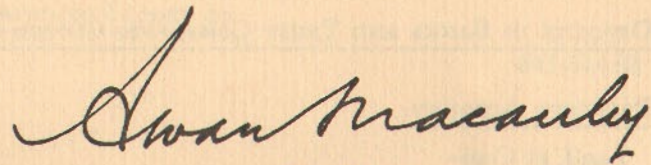
Factory production of One Twenties commenced in February and from a small beginning has increased to the rate of 150 daily mentioned elsewhere. Production will constantly and rapidly further increase until we satisfy the market demand. We are about 6000 retail orders ahead of our production and orders are still coming in faster than we can produce the cars.

Since January first we have added 402 new dealers to our distribution forces and more are being signed up daily.

The first quarter of 1935 can be expected to show a loss, because there has been a heavy concentration of expense and expenditure in that period, due to One Twenty operations and with only the beginnings of production. But from April first on, we shall be in substantial and still increasing production and the heavy items of expense and expenditure will be behind us. So far as we can now see, all extraordinary disbursements will have been made and costs will more nearly resume the normal expectation.

The last three quarters of the year look promising. A full year at substantially maximum production would produce a pleasing result. Like other manufacturers we shall, of course, be dependent upon the degree of prosperity throughout the country.

March 27, 1935.


President

PACKARD MOTOR CAR COMPANY

AND SUBSIDIARY COMPANIES

Consolidated Balance Sheet as of December 31, 1934

ASSETS			LIABILITIES		
<u>CURRENT ASSETS:</u>			<u>CURRENT LIABILITIES:</u>		
Cash in Banks and on Hand	\$ 2,747,101.61		Current Accounts Payable and Pay Rolls	\$ 2,787,122.86	
Investments, Less Reserve to Adjust to Market Value—			Miscellaneous Liabilities, Not Yet Due	533,349.23	
United States Government Securities	9,139,118.75		Reserves—		
Municipal, State and Canadian Bonds	509,460.00	\$12,395,680.36	Tool Commitments of Model 120	1,198,734.00	
Accounts and Notes Receivable, Less Reserve—			Miscellaneous Items	162,218.35	
Accounts Receivable	\$ 506,643.57		U. S. Federal and Canadian Income Taxes of Subsidiary Companies	13,844.85	
Deferred Installment Notes	976,719.40	1,483,362.97	Total Current Liabilities	\$ 4,695,269.29	
Inventories, at or below cost—					
Raw Material, Work in Process, Etc.	\$ 2,972,267.57		RESERVE FOR GENERAL PURPOSES:	1,250,000.00	
Finished Motor Carriages	1,805,121.17	4,777,388.74	RESERVE FOR DEPOSITS IN BANKS AND TRUST COMPANIES CLOSED OR		
Total Current Assets		\$18,656,432.07	UNDER RESTRICTION:	641,544.63	
MORTGAGES AND MISCELLANEOUS INVESTMENTS:		656,732.00			
DEPOSITS IN BANKS AND TRUST COMPANIES CLOSED OR UNDER RESTRICTION:		641,544.63	CAPITAL STOCK:		
PROPERTY ACCOUNT:			Common (Authorized 25,000,000 Shares)		
Land, at Cost—			No Par Value—Issued 15,000,000 Shares	40,000,000.00	
For Manufacturing Purposes	\$ 1,947,132.10		(Includes 8,660 shares issued to Trustee for account of company,		
For Distribution Purposes	4,418,375.69	\$ 6,365,507.79	and not carried as an asset)		
Buildings, Plant Equipment, Etc., at Cost—			SURPLUS:		
Manufacturing Properties	29,088,108.24		Balance at December 31, 1933	\$ 8,904,685.23	
Less—Reserve for Depreciation	14,887,348.09	14,200,760.15	Deduct—Net Loss for the Year Ended December 31, 1934	7,290,549.26	1,614,135.97
Distribution Properties	9,608,829.91		Total Liabilities and Capital	\$48,200,949.89	
Less—Reserve for Depreciation	2,332,806.71	7,276,023.20			
Rights, Privileges, Franchises and Inventions		1.00			
DEFERRED CHARGES TO FUTURE OPERATIONS:					
Prepaid Insurance and Other Expense		403,949.05			
Total Assets		\$48,200,949.89			

PACKARD MOTOR CAR COMPANY
AND SUBSIDIARY COMPANIES

STATEMENT OF INCOME
For the Year Ended December 31, 1934

PARTICULARS		Amount
<u>FACTORY SALES:</u>		
Carriages and Service Parts		\$14,618,742.77
Cost of Sales		<u>17,315,064.67</u>
Gross Loss		\$ 2,696,321.90
<u>Deduct—Other Income:</u>		
Discount on Purchases	\$ 64,036.51	
Rentals	5,856.51	
Interest Earned	302,311.48	
Profit on Sale or Disposal of Capital Assets	35,190.10	
Miscellaneous	<u>7,249.10</u>	<u>\$ 414,643.70</u>
GROSS LOSS LESS OTHER INCOME		\$ 2,281,678.20
<u>Add—Selling, General, and Administrative Expenses</u>		<u>2,094,874.51</u>
LOSS BEFORE APPLYING FACTORY DEPRECIATION AND SPECIAL ITEMS		\$ 4,376,552.71
<u>Deduct</u>		
Reduction in Reserve for Depreciation in Value of Investments	\$ 546,002.76	
Profit on Sale of Investments, Etc.	<u>18,234.45</u>	<u>564,237.21</u>
		\$ 3,812,315.50
<u>Add</u>		
Depreciation of Factory Properties	\$ 1,840,671.81	
To Reserve for Tool Commitments of Model 120	<u>1,198,734.00</u>	<u>3,039,405.81</u>
LOSS FROM FACTORY OPERATIONS		\$ 6,851,721.31
LOSS FROM OPERATIONS OF BRANCHES AND SUBSIDIARY COMPANIES		<u>438,827.95</u>
LOSS FOR THE YEAR ENDED DECEMBER 31, 1934		<u>\$ 7,290,549.26</u>



ASK
THE MAN
WHO OWNS
ONE

TOWN & COUNTRY

