

PACKARD MOTOR CAR COMPANY

Thirty-Second Annual Report

for

YEAR ENDING DECEMBER 31, 1935

To be submitted to Stockholders at the Annual Meeting
in Detroit, Michigan, Monday, April 20, 1936

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

Net earnings for the year 1935 were \$3,315,622.38 after all charges including depreciation and provision for federal taxes.

A dividend amounting to a million and a half dollars was paid in February, 1936.

While these earnings are gratifying and the subsequent dividend was welcomed by our stockholders, the greatest accomplishment of the company during the past year was that it brought out an entirely new line of cars, known as the 120, having such virtues of performance and appearance that they were an immediate success. It was months before the company could catch up with its orders. The company feels that it is now firmly entrenched with its new cars "in the \$1000 price class."

While this was being accomplished, the company continued to maintain its prestige position in the high-priced car field in which the company's reputation and success were originally established.

More Packard cars were produced and shipped during the year ending December 31, 1935, than in any previous year in the company's history. The substantial increase in our operations is evident from a comparison of our 1934 production of 6,071 cars with our 1935 output of 52,256 cars.

The greater volume of our manufacturing output has not only returned the company to a basis of substantial earnings but it has enabled us to greatly increase the number of men and women to whom during the past year we have been able to give practically continuous employment. We now have 10,393 employees on the payroll.

The wholesale value of sales for the year just closed totaled \$49,966,419.95, a very noticeable increase over 1934 during which our sales amounted to \$14,618,742.77.

Our deliveries of new cars to owners in 1935 increased 474.6 per cent, according to the official figures supplied by R. L. Polk & Co. This was the largest percentage of increase shown by any motor car manufacturer in this country.

Export shipments of Packard cars to foreign countries from our Detroit and Canadian plants increased 373.4 per cent.

Packard products are now distributed through more than 1500 dealers and distributors throughout the world.

Our Packard 120 was easily the "sensation" new car of the year. Volume production was not reached until April, yet by the end of the year, the new car had already attained second place in

its price class, the leading position being maintained by a car long on the market and selling at considerably lower prices.

Enthusiastic reports from Packard owners all over the world show what an outstandingly successful reception has been accorded our new cars of all kinds.

Our merchandising slogan for our new cars has been "Match Packard 120 Against the Field" because we were so certain of our strength competitively.

Our senior lines of cars, that is to say, those priced above \$2000 and being the Packard Eight, the Packard Super Eight and the Packard Twelve, have continued to dominate their field not only as to customer preference but also in beauty, quality and mechanical excellence.

As previously reported, we secured nearly one-half of all the fine car business in this country. Our exports of these models were greater than those of any three other fine car makers.

OUR FINANCIAL POSITION

Discussing the Balance Sheet and Income Statement in some detail we find that factory sales to distributors, dealers and others were larger than during any of the previous four years.

Selling, general and administrative expense amounted to \$2,760,227.66 as compared with \$2,094,874.51 for the year 1934. The increase was, of course, due to the far larger volume of business transacted. As a percentage to sales it was 5.5 for 1935 as compared with 14.3 for the previous year.

Operations of branches and subsidiary companies was profitable, \$390,169.67 being earned by their activities.

Our strong cash position was well maintained. Cash and marketable securities totaled \$12,986,236.49 at the end of the year as compared with \$12,395,680.36 at the close of the previous year.

That we were able to show an improvement in our cash and securities position so soon after having developed and introduced a new line of cars was very gratifying to us.

Accounts and notes receivable were \$3,756,276.95 as compared with \$1,483,362.97 at the end of the year 1934. The increase was due to the larger volume of our business. Inventories increased \$3,331,249.01, totaling \$8,108,637.75. Our larger production made necessary a greater inventory of finished cars, raw materials and work in process.

Current assets, comprising the above, were \$24,851,151.19. At the end of the previous year they totaled \$18,656,432.07.

Partial payments were received during the year reducing the mortgage covering the balance due on land and buildings located in Long Island City and which we sold several years ago. At the end of the year mortgages and miscellaneous investments amounted to \$587,751.00.

Claims growing out of deposits in banks and trust companies closed or operating under restrictions were reduced by payments made to us during the year. We have continued to provide a specific reserve to fully cover the unpaid balance, although the prospects are that a substantial

amount of these deposits will be returned to us as the orderly liquidation or reorganization of these institutions progresses.

Our property account is again shown in detail with manufacturing and distribution properties segregated. At the end of the year it was carried at \$27,008,289.09 of which amount \$15,583,690.21 was our investment in manufacturing properties including buildings, plant equipment, tools, etc., and \$11,424,597.88 was our investment in distribution properties. Rights, privileges, franchises and inventions are carried at \$1.00 as has been our practice for many years. Our net property investment was \$834,003.05 less than at the end of the previous year.

Our current liabilities at the close of the year 1935 were \$1,859,145.43 more than last year as a result of the increased volume of business and from prospective income taxes on the larger earnings of the company and its subsidiaries.

The reserve for general purposes, to provide for possible but unforeseen contingencies, is unchanged.

Capital stock was reduced from \$40,000,000.00 to \$30,000,000.00, \$10,000,000.00 being returned to surplus in accordance with the resolution of stockholders, April 15, 1935, this being the remainder of the amount transferred from surplus to capital in 1929.

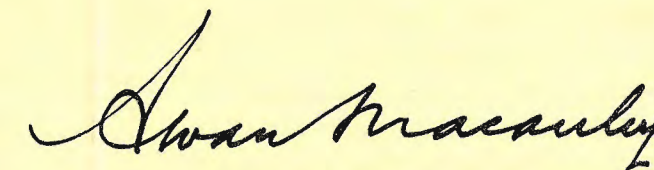
Surplus totaled \$14,929,758.35 at the end of the year, after adding the net profit for the year and the amount returned to surplus from capital account.

Capital and surplus together amounted to \$44,929,758.35 equivalent to a book value of \$2.99 a share.

GENERAL

We look with confidence to the year ahead of us for we have greatly broadened our market and now appeal to classes of buyers never heretofore available to Packard. Our cars are excellent mechanically and there has been no let down in the quality of material or workmanship that has always distinguished our product. Yet we have produced our cars at a low cost that has enabled us to maintain a satisfactory competitive position. Nineteen hundred and thirty-six should show us a considerable increase in our volume of business. We feel that we are in a splendid position to share in any improvement in general prosperity.

March 21, 1936.



President

(A Michigan Corporation)

AND SUBSIDIARY COMPANIES

Consolidated Balance Sheet as of December 31, 1935

ASSETS					
<u>CURRENT ASSETS:</u>					
Cash in Banks and on Hand	\$ 4,842,500.90				
Investments, Less Reserve to Adjust to Market Value—					
United States Government Securities	7,477,056.99				
Municipal and State Bonds, Etc.	<u>666,678.60</u>	\$12,986,236.49			
Accounts and Notes Receivable, Less Reserve—					
Accounts Receivable	\$ 1,702,331.17				
Deferred Installment Notes	<u>2,053,945.78</u>	3,756,276.95			
Inventories, at or below cost—					
Raw Material, Work in Process, Etc.	\$ 4,120,355.27				
Finished Motor Carriages	<u>3,988,282.48</u>	8,108,637.75			
Total Current Assets		\$24,851,151.19			
MORTGAGES AND MISCELLANEOUS INVESTMENTS:		587,751.00			
DEPOSITS IN BANKS AND TRUST COMPANIES					
<u>CLOSED OR UNDER RESTRICTIONS:</u>		603,754.66			
PROPERTY ACCOUNT:					
Land, at Cost—					
For Manufacturing Purposes	\$ 1,947,132.10				
For Distribution Purposes	<u>4,417,717.10</u>	\$ 6,364,849.20			
Buildings, Plant Equipment, Etc., at Cost—					
Manufacturing Properties	29,387,970.51				
Less—Reserve for Depreciation	<u>15,751,412.40</u>	13,636,558.11			
Distribution Properties	9,396,811.44				
Less—Reserve for Depreciation	<u>2,389,930.66</u>	7,006,880.78			
Rights, Privileges, Franchises and Inventions		<u>1.00</u>	\$27,008,289.09		
DEFERRED CHARGES TO FUTURE OPERATIONS:					
Prepaid Insurance and Other Expense		<u>286,981.79</u>			
Total Assets		\$53,337,927.73			

LIABILITIES			
<u>CURRENT LIABILITIES:</u>			
Current Accounts Payable and Pay Roll		\$ 4,078,775.34	
Miscellaneous Liabilities, Not Yet Due		625,015.38	
Reserve for Miscellaneous Items		1,279,891.24	
Provision for Income Taxes		<u>570,732.76</u>	
Total Current Liabilities		\$ 6,554,414.72	
RESERVE FOR GENERAL PURPOSES:		1,250,000.00	
RESERVE FOR DEPOSITS IN BANKS AND TRUST COMPANIES			
<u>CLOSED OR UNDER RESTRICTIONS:</u>		603,754.66	
CAPITAL STOCK:			
Common (Authorized 25,000,000 Shares)			
No Par Value—Issued 15,000,000 Shares		30,000,000.00	
(Includes 8,660 shares issued to Trustee for account of company, and not carried as an asset)			
SURPLUS:			
Balance at December 31, 1934		\$ 1,614,135.97	
Add—Amount returned to surplus in accordance with resolution of stockholders April 15, 1935, from amount transferred from surplus to capital stock in year 1929		10,000,000.00	
Net Profit for the Year Ended December 31, 1935		<u>3,315,622.38</u>	<u>14,929,758.35</u>
Total Liabilities and Capital		\$53,337,927.73	

PACKARD MOTOR CAR COMPANY

(A Michigan Corporation)

AND SUBSIDIARY COMPANIES

STATEMENT OF INCOME

For the Year Ended December 31, 1935

PARTICULARS		Amount
<u>FACTORY SALES:</u>		
Carriage and Service Parts		\$49,966,419.95
<u>Deduct</u> —Cost of Sales		<u>42,562,168.51</u>
Gross Profit		\$ 7,404,251.44
<u>Add</u> —Other Income:		
Discount on Purchases	\$ 169,176.79	
Interest and Rentals	260,572.77	
Miscellaneous	<u>2,671.63</u>	\$ 432,421.19
<u>TOTAL GROSS PROFIT AND OTHER INCOME:</u>		<u>\$ 7,836,672.63</u>
<u>Deduct</u> —Selling, General, and Administrative Expense		<u>2,760,227.66</u>
<u>PROFIT BEFORE APPLYING FACTORY DEPRECIATION AND SPECIAL ITEMS</u>		<u>\$ 5,076,444.97</u>
<u>Add</u>		
Reduction in Reserve for Depreciation in Value of Investments, Etc.	\$ 59,442.76	
Profit on Sale of Investments	<u>170,991.00</u>	<u>230,433.76</u>
		\$ 5,306,878.73
<u>Deduct</u>		
Depreciation of Factory Properties	\$1,892,099.18	
Loss on Sale or Disposal of Capital Assets	9,326.84	
Provision for Federal Income Tax	<u>480,000.00</u>	<u>\$ 2,381,426.02</u>
<u>NET PROFIT FROM FACTORY OPERATIONS</u>		<u>\$ 2,925,452.71</u>
<u>NET PROFIT FROM OPERATIONS OF BRANCHES AND SUBSIDIARY COMPANIES, AFTER PROVISION FOR FEDERAL INCOME TAX</u>		<u>390,169.67</u>
<u>NET PROFIT FOR THE YEAR ENDED DECEMBER 31, 1935</u>		<u>\$ 3,315,622.38</u>

PRICE, WATERHOUSE & Co

RESIDENT PARTNER
T. JACKSON
CERTIFIED PUBLIC ACCOUNTANT

PENOBSCOT BUILDING

DETROIT

March 7, 1936

To the Board of Directors,
Packard Motor Car Company,
Detroit, Michigan.

We have made an examination of the consolidated balance sheet of Packard Motor Car Company and subsidiary companies as at December 31, 1935, and of the statement of income for the year 1935. In connection therewith, we examined or tested accounting records of the companies and other supporting evidence and obtained information and explanations from officers and employees of the companies; we also made a general review of the accounting methods and of the operating and income accounts for the year, but we did not make a detailed audit of the transactions.

In our opinion, based upon such examination, the accompanying consolidated balance sheet and related statement of income fairly present, in accordance with accepted principles of accounting consistently maintained by the companies during the year under review, their combined position at December 31, 1935, and the results of operations for the year.

PRICE, WATERHOUSE & Co

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

Alvan Macauley

Vice-President and General Manager

M. M. Gilman

Vice-President of Engineering

J. G. Vincent

Vice-President and General Counsel

Henry E. Bodman

Vice-President of Manufacturing

G. T. Christopher

Secretary and Treasurer

Hugh J. Ferry

Vice-President

Lee J. Eastman

Vice-President and Patent Counsel

Milton Tibbetts

Comptroller

Eugene C. Hoelzle

Assistant Secretary and Assistant Treasurer

A. C. Bennett

Active Subsidiary Companies

Packard Motor Car Company of New York
Packard Buffalo, Inc.

Packard Motor Car Company of Chicago
Packard Rochester, Inc.

Atlanta Packard Motors, Inc.

Packard Motor Car Company of Canada, Limited

Packard Motors Export Corporation

Packard Motor Sales Company

Packard Limited, London, England

Transfer Offices

Packard Motor Car Company
Detroit, Michigan

Guaranty Trust Company of New York
New York City

Registrars of Stock

Detroit Trust Company
Detroit, Michigan

City Bank Farmers Trust Company
New York City

Auditors—Price, Waterhouse & Co

- PACKARD TWELVE

13 Luxurious Body Types

PRICED FROM \$3820 TO \$5050
at the factory

- PACKARD SUPER EIGHT

13 Handsome Body Types

PRICED FROM \$2880 TO \$4010
at the factory

- PACKARD EIGHT

13 Beautiful Body Types

PRICED FROM \$2385 TO \$3400
at the factory

- PACKARD ONE TWENTY

7 Popular Body Types:

2-Passenger Business Coupe

PRICED AT \$ 990

2 or 4-Passenger Convertible Coupe

PRICED AT \$1110

2 or 4-Passenger Sport Coupe

PRICED AT \$1030

5-Passenger Touring Coupe

PRICED AT \$1040

5-Passenger Sedan

PRICED AT \$1075

5-Passenger Club Sedan

PRICED AT \$1090

5-Passenger Touring Sedan

PRICED AT \$1115

at the factory, standard accessory group extra

ASK THE MAN WHO OWNS ONE

PRINTED IN U.S.A.