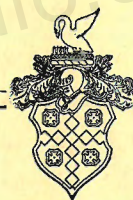


PACKARD MOTOR CAR COMPANY

*Thirty-Fifth
Annual Report*

YEAR ENDING
DECEMBER 31, 1938



To be submitted to Stockholders at the Annual Meeting
in Detroit, Michigan, Monday, April 17, 1939

Depreciation of factory properties was \$1,742,834.60 as against \$1,910,967.86 for the previous year. The factory was maintained in good order and repair.

Branch and subsidiary operations showed a loss of \$81,158.76 as compared with a profit of \$572,030.90 for 1937.

BALANCE SHEET

Cash and marketable securities increased \$4,977,778.78 during the year and totaled \$10,880,149.66 at the year-end.

Accounts and notes receivable, taken together, amounted to \$4,264,623.64 as compared with \$5,003,909.46 at the end of 1937. The \$739,285.82 decrease was due chiefly to our smaller volume of business.

Inventories decreased \$6,368,715.27 of which amount \$4,294,670.60 represented the reduction in raw materials, work in process, etc., and \$2,074,044.67 the reduction in finished motor vehicles at the factory and in branches' and subsidiary companies' stocks. Inventories were at the lowest year-end level since December 31, 1934.

Total current assets were \$21,763,346.92, a reduction of \$2,130,222.31 from the total at the previous year-end. In comparison, total current liabilities were \$5,259,187.95, a reduction of \$2,170,324.99 from the total at the close of 1937. The ratio of current assets to current liabilities improved from 3.2 to 1 at December 31, 1937 to 4.1 to 1 at the end of 1938.

Our net property investment was \$1,595,981.45 lower, amounting to \$26,857,467.41 of which \$16,054,419.97 represented our investment in land, buildings, plant equipment, etc., for manufacturing purposes and \$10,803,047.44 was our investment in land, buildings and facilities for distribution purposes.

Deferred charges to future operations were practically unchanged and amounted to \$349,138.78. These charges, as in the past, consisted principally of prepaid insurance and engineering developments in various stages of completion.

Current accounts payable and payrolls amounted to \$3,005,349.94 which was \$974,851.79 below the total at the end of the preceding year, due to the smaller volume of our payrolls and purchases of raw materials, machinery and plant equipment.

Miscellaneous liabilities not yet due, consisting chiefly of deposits by customers and dealers, totaled \$742,237.35, being \$293,444.81 less than a year ago.

Reserves for miscellaneous items amounted to \$1,405,567.95 as compared with \$1,785,638.87 at the close of 1937.

Capital and surplus totaled \$42,902,934.78, equivalent to a book value of \$2.86 a share on the common stock outstanding.

We have no preferred stock, bank loans or bonded indebtedness of any kind. Currently the common stock is held by 117,528 stockholders.

SUBSIDIARY COMPANIES AND BRANCHES

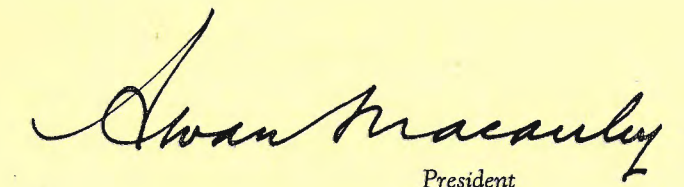
It has been our practice for a number of years to show in the statement of income, the results of factory operations in some detail and to show in one figure at the bottom of the statement the results from operations of subsidiary companies and branches. All selling and other expenses incurred by the subsidiary companies and branches are, of course, deducted in arriving at the results of their operations for the year.

Inventories of new motor vehicles at subsidiary companies and branches are included with the factory inventory of finished motor vehicles, all at cost, under the heading "Inventories" as shown in the consolidated balance sheet. Factory sales as shown in the income statement include sales to subsidiary companies and branches only when such sales are made to their customers. No profits are taken by the factory on sales to subsidiary companies or branches until the time that such sales are made to their customers.

REMARKS

Since we entered the medium priced, larger volume field early in 1935 we have had three quite successful years and had reached a volume of production and sales in excess of 100,000 cars a year when the decline in business set in late in 1937.

Although there are uncertainties in the current outlook for general business, indications are that it will expand at least moderately. Our field stocks are adequate, and our organization is well prepared to take advantage of any improvement in the automobile market. A rearrangement of our factory facilities is now under way to enable us to produce more efficiently and at lower cost.


President

MARCH 21, 1939

PACKARD MOTOR CAR COMPANY

(A Michigan Corporation)

AND SUBSIDIARY COMPANIES

Consolidated Balance Sheet as of December 31, 1938

Assets			Liabilities		
<u>CURRENT ASSETS:</u>			<u>CURRENT LIABILITIES:</u>		
Cash in Banks and on Hand	\$ 5,748,661.76		Current Accounts Payable and Pay Rolls	\$ 3,005,349.94	
Investments, at lower of cost or quoted market value—			Miscellaneous Liabilities, Not Yet Due	742,237.35	
United States Government Securities	4,269,822.22		Reserves for Miscellaneous Items	1,405,567.95	
Municipal, State and Canadian Bonds	861,665.68	\$10,880,149.66	Provision for Income Taxes	106,032.71	
Accounts and Notes Receivable, less reserve—			Total Current Liabilities	\$ 5,259,187.95	
Accounts Receivable	\$ 1,072,807.19				
Deferred Installment Notes	3,191,816.45	4,264,623.64			
Inventories, at or below cost—					
Raw Material, Work in Process, etc.	\$ 3,810,018.17		<u>RESERVE FOR GENERAL PURPOSES:</u>	1,250,000.00	
Finished Motor Vehicles	2,808,555.45	6,618,573.62			
Total Current Assets		\$21,763,346.92	<u>RESERVE FOR CLAIMS COVERING DEPOSITS IN BANKS AND</u>		
<u>MORTGAGES AND MISCELLANEOUS INVESTMENTS:</u>		442,169.62	<u>TRUST COMPANIES CLOSED OR UNDER RESTRICTION:</u>	340,588.08	
<u>CLAIMS FOR DEPOSITS IN BANKS AND TRUST COMPANIES</u>			<u>CAPITAL STOCK:</u>		
<u>CLOSED OR UNDER RESTRICTION:</u>		340,588.08	Common (Authorized 25,000,000 Shares)		
			No Par Value—Issued 15,000,000 Shares		30,000,000.00
<u>PROPERTY ACCOUNT:</u>			(Includes 8,660 shares issued to Trustee for account of company,		
Land, at cost—			and not carried as an asset)		
For Manufacturing Purposes	\$ 1,954,461.30		<u>SURPLUS:</u>		
For Distribution Purposes	4,417,717.10	\$ 6,372,178.40	Balance at December 31, 1937	\$14,541,252.21	
Buildings, Plant Equipment, etc., at cost—			<u>Deduct</u> —Loss for the Year Ended December 31, 1938,	1,638,317.43	12,902,934.78
Manufacturing Properties	\$25,469,521.05				
<u>Less</u> —Reserve for Depreciation	11,369,563.38	14,099,957.67			
Distribution Properties	\$ 9,426,458.08				
<u>Less</u> —Reserve for Depreciation	3,041,127.74	6,385,330.34			
Rights, Privileges, Franchises and Inventions		1.00			
		26,857,467.41			
<u>DEFERRED CHARGES TO FUTURE OPERATIONS:</u>					
Prepaid Insurance and Other Expense		349,138.78			
Total Assets		\$49,752,710.81	Total Liabilities and Capital		\$49,752,710.81

PACKARD MOTOR CAR COMPANY

(A Michigan Corporation)

AND SUBSIDIARY COMPANIES

STATEMENT OF INCOME

For the Year Ended December 31, 1938

Particulars

FACTORY OPERATIONS:

Sales of Motor Vehicles and Service Parts	\$48,340,554.55
<u>Deduct—Cost of Sales</u>	<u>46,068,580.87</u>
Gross Profit	\$ 2,271,973.68

Add—Other Income:

Discount on Purchases	\$132,541.09
Non-recurring Income (Net)	99,018.50
Interest and Rentals	27,892.97
Miscellaneous	3,401.37
	<u>262,853.93</u>

TOTAL GROSS PROFIT AND OTHER INCOME \$ 2,534,827.61

Deduct—Selling, General and Administrative Expense 2,553,147.50

LOSS BEFORE APPLYING FACTORY DEPRECIATION AND SPECIAL ITEMS \$ 18,319.89

Add—Depreciation of Factory Properties 1,742,834.60

\$ 1,761,154.49

Deduct

Recoveries on Claims for Deposits in Closed Banks \$147,569.29

Reduction in Reserve for Depreciation in Value of Investments, etc. 56,426.53 203,995.82

LOSS FROM FACTORY OPERATIONS \$ 1,557,158.67

LOSS FROM OPERATIONS OF BRANCHES AND SUBSIDIARY COMPANIES 81,158.76

LOSS FOR THE YEAR ENDED DECEMBER 31, 1938 \$ 1,638,317.43

PRICE, WATERHOUSE & Co.

RESIDENT PARTNER
A. J. BLOODSWORTH
CERTIFIED PUBLIC ACCOUNTANT

PENOBSCOT BUILDING

DETROIT

February 20, 1939

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, 1938, and of the statement of income for the year 1938. 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. Inventories are stated as taken and priced by responsible employees of the companies. We tested the prices and computations and investigated the procedure followed in determining the quantities, description and condition of the inventory items.

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, the position of the combined companies as at December 31, 1938, 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

Officers

ALVAN MACAULEY
President

M. M. GILMAN
Vice-President and General Manager

J. G. VINCENT
Vice-President of Engineering

HENRY E. BODMAN
Vice-President and General Counsel

G. T. CHRISTOPHER
Vice-President of Manufacturing

HUGH J. FERRY
Secretary and Treasurer

LEE J. EASTMAN
Vice-President

MILTON TIBBETTS
Vice-President and Patent Counsel

EUGENE C. HOELZLE
Comptroller

A. C. BENNETT
Assistant Secretary and Assistant Treasurer

Active Subsidiary Companies

Packard Motor Car Company of New York Packard Motor Car Company of Chicago
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.

A CORDIAL INVITATION

TO KNOW

THE 1939 PACKARDS.

We cordially invite you to visit your local Packard store and see and drive one of the new 1939 Packards . . . Their very high quality prompts owners to write us that they have never driven such satisfactory, service-free cars . . . If our stockholders and their friends know these facts, we will sell more cars . . . You can aid us toward this end by using the enclosed card (no postage required) to give us the names of people who ought to own a Packard.

Alvan Macauley
PRESIDENT

The New 1939 Packard Cars

The PACKARD TWELVE \$4140* and up

The PACKARD SUPER-8 \$1955* and up

The PACKARD ONE TWENTY . . \$1200* and up

The PACKARD SIX \$ 990* and up

** all prices, delivered in Detroit, State taxes extra.*

STOCKHOLDERS can further their own company interests by buying Packard cars, by influencing their friends to do so, and by furnishing the names of people who ought to own them.

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