1948 ANNUAL REPORT

PACKARD MOTOR CAR COMPANY

Gateway to the 504-acre Packard Proving Ground at Utica, Michigan. Its facilities include laboratories, experimental shops, 3-mile speedway, and a complete variety of grueling test courses.

FINANCIAL SUMMARY

OUR RECEIPTS — from the sale of passenger cars, commercial cars and chassis, service parts, marine and industrial engines — and from interest income, rentals, etc. — amounted to $233,162,258

OUR OPERATING EXPENSES — including payrolls; cost of products sold; taxes (excluding income taxes); selling, general, and administrative expenses — amounted to . . . 208,372,819

$ 24,789,439

Estimated income taxes 9,680,000

Leaving *net income* of . . . . . $ 15,109,439

OUT OF OUR NET INCOME

We paid the owners of the Company — the shareholders — dividends amounting to 35c per share, for a total of . . . . . $ 5,226,969

We retained in the Company — for current and future replacement of facilities; for new-model development; and to safeguard the future of the Company with adequate working capital — a total of . . . . . $ 9,882,470

HOW PACKARD DOLLARS WERE DIVIDED IN 1948

Paid out for materials produced by workers in other plants, and for services, etc. $165,996,363

Paid to Packard employees in wages and salaries . . $ 38,897,629

Taxes . . . . . $ 13,158,827

Portion of earnings kept in the business . . . . . $ 9,882,470

Dividend payments to Packard shareholders . . $ 5,226,969

THE PRESIDENT'S MESSAGE

To be submitted to stockholders at the Annual Meeting in Detroit, April 18, 1949

TO PACKARD STOCKHOLDERS:

The year 1948 was one of the most successful in the history of your Company, which dates back to 1899.

To report that is a real pleasure. It is tangible evidence of our organization's strength. It reflects sound planning — intelligently and earnestly administered to overcome many handicaps to operations.

The main accomplishments of 1948:

1. Greater financial stability;
2. Increased car production;
3. Stronger dealer organization; and
4. New model development.

Some details of each:

GREATER FINANCIAL STABILITY

Net earnings for 1948 totalled $15,109,439, the fourth best in Packard history. Only 1926, 1928 and 1929 were better—and you'll remember very different conditions existed then.

Net sales including other income for 1948 totalled $233,162,258. Since your Company is now merchandising its cars through direct Zone Offices and has dissolved its domestic subsidiaries, these operations are therefore reported on a consolidated basis.

Thus, the earnings marked a 6.48% return on sales after provision of $9,680,000 for income taxes.

The availability of more production materials, such as steel and cast iron, was a prime factor in accomplishing the results of the year.

At the end of 1948, net working capital totalled $46,957,291, compared with $34,741,499 in 1947 and $36,586,224 in 1946. Cash and marketable securities totalled $45,581,601, compared with $25,547,672 in 1947 and $30,969,023 in 1946. Capital and surplus totalled $69,908,352, compared with $60,528,860 in 1947 and $58,865,236 in 1946.

Thus, capital and surplus equalled $4.66 for each of the 15,000,000 shares of common stock outstanding, after a total 1948 payment of $5,250,000 in dividends.

A dividend of 15 cents a share, equivalent to $2,250,000 was paid March 29, 1948. Another dividend of 20 cents a share totalling $3,000,000, was paid Oct. 18, 1948.

On February 23, 1949, your Directors declared a dividend of 25 cents a share—the biggest in nearly 19 years—equalling $3,750,000 and payable March 28, 1949, to stockholders of record March 5, 1949.

During the years of war work and those of postwar production, your Management's policy has been to build financial strength; to protect future requirements for capital when the real competitive market returned; and to pay dividends consistent with these requirements, as earnings permitted.

Packard entered 1949 in the best financial condition in its long history. There are no bank loans, preferred stock or bonds outstanding.

INCREASED CAR PRODUCTION

Our operations improved steadily each quarter, the 1948 output totalling 98,897 cars. This was the second-best annual production in Packard history — within 5% of our planned output and only 10% less than 1937, our all-time peak year.

At the start of 1948, we were using one final assembly line and producing 35 cars an hour. By the end of the year, we were using two final assembly lines and producing 70 cars an hour. Our output was restricted severely at times—early in the year by the natural gas shortage and subsequently by several supplier plant strikes. However, we lost only one and a half days due to difficulties within our own plant, and the flow of materials from suppliers was much improved over any postwar year.

The increased volume enabled your Company to benefit from economies made possible with production at higher operating levels. Packard employees were afforded steadier work. Factory personnel increased from 7,736 at the end of 1947 to 10,845 at the close of 1948, a gain of 3,109.

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THE PRESIDENT'S MESSAGE (cont'd)

Inspection records and field service reports prove the quality of Packard cars is well above prewar standards!

STRONGER DEALER ORGANIZATION

The Packard dealer organization never has been stronger or better equipped. The dealers have prepared themselves well for the return of the buyer's market—for the kind of sound salesmanship that has made the automobile industry great.

At the end of 1948, there were 1,563 Packard dealers in the United States and Canada. In our strengthening of the dealer organization, the emphasis properly has been on quality, rather than quantity.

Packard dealers' net worth, as the year closed, was $84,250,000, compared with $64,900,000 in 1947 and $49,500,000 in 1946. The dealers' working capital was $55,080,000, compared with $41,340,000 in 1947 and $30,820,000 in 1946.

Morale of our dealers is excellent. Customer acceptance of our products never has been more enthusiastic.

NEW MODEL DEVELOPMENT

The financial statement clearly shows the amount of capital needed for larger inventories and similar items, which are required for increased production. Greater commitments for materials must be made far in advance. Likewise, higher costs of research, engineering and development are requiring larger expenditures of money over longer periods of time.

New products and improvements on existing ones are costing 2½ to 3 times what they did prewar. Costs for the replacement and the addition of equipment, for tools needed to expand production and improve quality have increased on relatively the same basis. These expenditures are very essential to our long-time success in the industry, and should prove most fruitful in the future.

Full appreciation of these facts is important. Packard must be able financially to put into effect the right plans at the right time.

Soon, you will hear about and see our Golden Anniversary line of cars, the finest Packard ever has built. A little later, Packard's first automatic transmission will become available. These important improvements indicate the necessity for wisely husbanding funds for progressive research and development.

DIVERSIFICATION

Your Company is adding to its volume with precision-built replacement parts and business-equipment chassis. A certain output of marine and industrial engines is also scheduled to proper production, and confidential work is continuing for the U. S. Navy.

Shortly after 1948, the U. S. Air Force terminated the Packard contracts for aircraft jet engine research and development at Toledo, Ohio, and closed the laboratory which your Company has operated there since May, 1945, on a cost-plus-fixed-fee basis. Throughout this work, your interests were protected by no Company investment in the project, other than a modest amount of recoverable capital.

The Air Force expressed complete satisfaction with the progress of our work, but was forced to give higher priority to other projects. Packard stands ready to be of service to the government again, as called upon.

OUTLOOK

We view 1949 not only as Packard's Golden Anniversary but also, its golden opportunity.

The year just closed was one of the most successful, from every standpoint, in Packard history. With the continued co-operation of all concerned — employees, suppliers and management alike—and with no upsets in the flow of materials and parts, we look forward with confidence to 1949's outcome.

We foresee strong competition in the period ahead, but we are convinced that the Packard organization has the ability to meet this competition adequately!

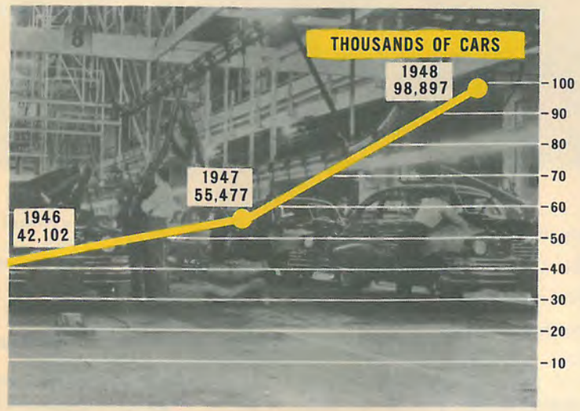
Respectfully submitted,

Geo. T. Christopher

President.

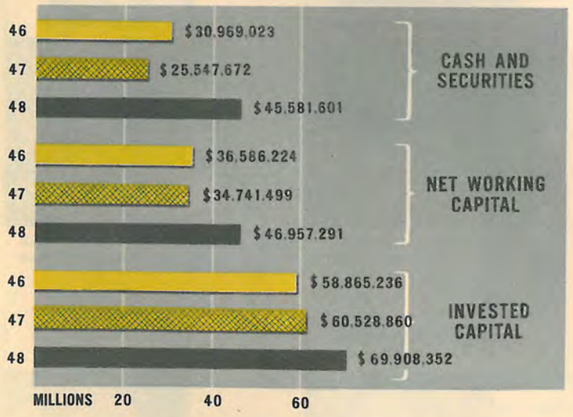
March 18, 1949

THE FOUR PRINCIPAL ACCOMPLISHMENTS OF 1948

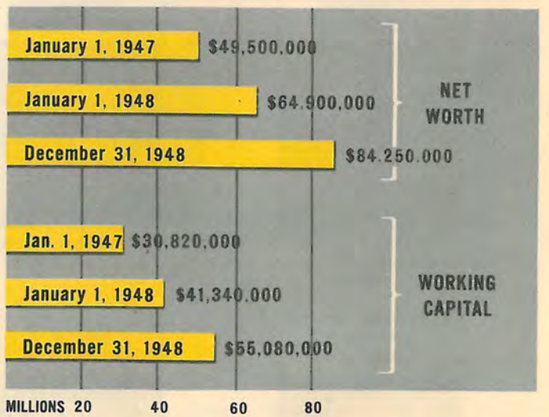


INCREASED CAR PRODUCTION: Despite 41½ days of work stoppages (40 of them caused by shortages, and by strikes in suppliers' plants), Packard in 1948 showed a gain of 78% over 1947 — the largest individual gain in the entire industry. The 1948 total of 98,897 cars made it the second best year in Packard history, topped only by the 1937 output of 109,518 cars.

NEW MODEL DEVELOPMENT: To guard its position in the industry and to assure continued progress in the coming era of normal, highly-competitive selling, Packard carried on an aggressive program of new-model development throughout 1948. Commitments totaled $9,844,598. Cost of new tools and machinery today is about three times higher than in prewar years.



GREATER FINANCIAL STABILITY: Packard today is in the strongest financial position of its entire history — with finer facilities, greater resources, no short- or long-term loans, and no preferred stock outstanding. In reconverting from wartime to peacetime facilities, Packard made sound preparation for the return of keener competition.



STRONGER DEALER ORGANIZATION: During 1948, Packard dealers increased their net worth by 29.8%, their working capital by 33.2%. Of Packard's 1,563 dealers in the United States and Canada, 355 now occupy buildings which were constructed or modernized since the war. For broader market coverage, additional dealers will be franchised in 1949.

PACKARD MANAGEMENT

Here, in brief chart and picture form, you see the "who" and the "how" of Packard management.

From a *personnel* standpoint, Packard management is relatively young in years, but long-seasoned in experience. The average age of these key men is only 56 — yet their average term of *Packard* service is 28 years, and their average term of *automotive industry* experience is 33 years.

From an *operations* standpoint, Packard management combines a high degree of specialization with a streamlined flow of functioning authority. Decisions of the Board of Directors are executed by the eight Division heads who report directly to the President.

BOARD OF DIRECTORS

GEO. T. CHRISTOPHER
J. G. VINCENT
HUGH J. FERRY
JAMES McMILLAN
EARLE C. ANTHONY
HENRY C. BOGLE
W. TOM ZURSCHMIEDE

OFFICERS

GEO. T. CHRISTOPHER
President and General Manager

HUGH J FERRY
Vice-President, Secretary and Treasurer

J. G. VINCENT
Vice-President of Engineering

G. C. REIFEL
Vice-President of Manufacturing

KARL M. GREINER
Vice-President and General Sales Manager

E. C. HOELZLE
Vice-President and Comptroller

MILTON TIBBETTS
Vice-President and Patent Counsel

W. B. HOGE
Assistant Comptroller

R. S. MARX
Assistant Secretary and Assistant Treasurer

Left to right—Messrs. ZurSchmiede, Bogle, Ferry, McMillan, Vincent, Anthony and Christopher.

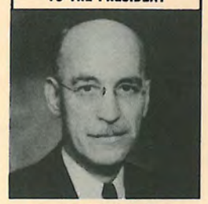
BOARD OF DIRECTORS

PRESIDENT AND GENERAL MANAGER
GEO. T. CHRISTOPHER
Packard service: 15 years

VICE-PRESIDENT, SECRETARY & TREASURER

HUGH J. FERRY
Packard service: 39 years

ASSISTANT TO THE PRESIDENT



G. H. BRODIE
Packard service: 42 years

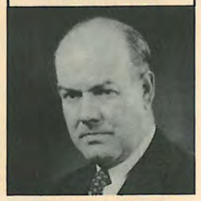
VICE-PRESIDENT OF ENGINEERING

COL. J. G. VINCENT
Packard service: 37 years

EXECUTIVE ENGINEER

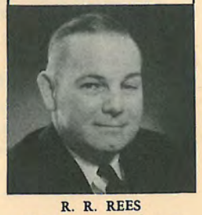
WILLIAM H. GRAVES
Packard service: 30 years

VICE-PRESIDENT OF MANUFACTURING



GEORGE C. REIFEL
Packard service: 36 years

DIRECTOR OF PURCHASING



R. R. REES
Packard service: 34 years

VICE-PRESIDENT AND GENERAL SALES MANAGER

KARL M. GREINER
Packard service: 6 years

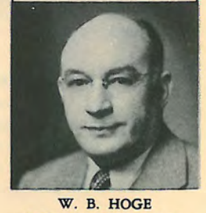
ASSISTANT GENERAL SALES MANAGER

CLARE E. BRIGGS
Packard service: 10 years

VICE-PRESIDENT AND COMPTROLLER

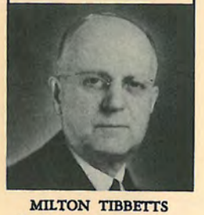
EUGENE C. HOELZLE
Packard service: 34 years

ASSISTANT COMPTROLLER



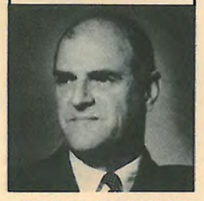
W. B. HOGE
Packard service: 27 years

VICE-PRESIDENT AND PATENT COUNSEL



MILTON TIBBETTS
Packard service: 42 years

DIRECTOR OF ADVERTISING AND PUBLIC RELATIONS



HUGH W. HITCHCOCK
Packard service: 27 years

INDUSTRIAL RELATIONS MANAGER

WAYNE BROWNELL
Packard service: 4 years

MANAGER, PACKARD EXPORT DIVISION

B. C. BUDD
Packard service: 34 years

TRANSFER OFFICES: Packard Motor Car Company, Detroit, Michigan.
Guaranty Trust Company of New York, New York.

REGISTRARS OF STOCK: Detroit Trust Company, Detroit, Michigan.
City Bank Farmers Trust Company, New York City.

AUDITORS: Price, Waterhouse & Co.

GENERAL COUNSEL: Bodman, Longley, Bogle, Armstrong & Dahling.

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PACKARD MOTOR CAR COMPANY *(A Michigan Corporation)*

CONSOLIDATED STATEMENT OF FINANCIAL CONDITION
December 31, 1948

CURRENT ASSETS:		
Cash		$24,951,696
United States and Canadian Government securities at cost and accrued interest, not over market, ($241,170 Canadian)		20,629,905
Accounts and installment notes receivable, less $86,927 allowance for uncollectible accounts		8,623,665
Inventories, at lower of cost or market—		
Raw materials and work in process	$19,403,050	
Automobiles	5,324,162	24,727,212
Advance to supplier		2,250,000
Prepaid insurance and other expenses		619,170
		$81,801,648
LESS—CURRENT LIABILITIES:		
Accounts payable and accruals	$21,118,252	
Provision for product warranty, commitments, etc.	2,281,390	
Estimated income taxes	11,444,715	34,844,357
WORKING CAPITAL		$46,957,291
MORTGAGES RECEIVABLE, MISCELLANEOUS INVESTMENTS, ETC.		453,833
PROPERTIES, at cost less $13,952,596 depreciation		24,997,228
		$72,408,352
LESS RESERVE FOR CONTINGENCIES		2,500,000
STOCKHOLDERS' EQUITY		$69,908,352
REPRESENTED BY:		
Common stock of no par value, 25,000,000 shares authorized, 15,000,000 shares issued		$30,000,000
Capital in excess of stated value of common stock (No change in 1948)		12,016,721
Net income retained since May 1, 1935 for use in the business		28,394,609
		$70,411,330
Less common stock held in treasury, 108,660 shares at cost		502,978
		$69,908,352

CONSOLIDATED STATEMENT OF INCOME
Year Ended December 31, 1948

Sales of automobiles, service parts and other products		$231,950,450
Rentals, interest and miscellaneous income		1,211,808
		$233,162,258
Costs and expenses, including $2,396,411 depreciation:		
Cost of products sold	$196,614,920	
Selling, general and administrative expenses	11,757,899	208,372,819
		$ 24,789,439
Estimated income taxes		9,680,000
Net income for the year		$ 15,109,439

CONSOLIDATED STATEMENT OF NET INCOME RETAINED SINCE MAY 1, 1935 FOR USE IN THE BUSINESS

At December 31, 1947	$ 18,512,139
Net income for the year ended December 31, 1948	15,109,439
	$ 33,621,578
Dividends paid—35c a share	5,226,969
At December 31, 1948	$ 28,394,609

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PRICE, WATERHOUSE & CO.

RESIDENT PARTNERS:
A.J. BLOODSWORTH, C.P.A.
A.W. BARR, C.P.A.

PENOBSCOT BUILDING

DETROIT 26

March 1, 1949

To the Board of Directors and
the Stockholders of
Packard Motor Car Company

We have examined the accompanying consolidated statement of financial condition of Packard Motor Car Company and its subsidiary companies as of December 31, 1948 and the related consolidated statements of income and of net income retained since May 1, 1935 for use in the business for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying financial statements present fairly the financial position of Packard Motor Car Company and its sudsidiary companies at December 31, 1948, and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

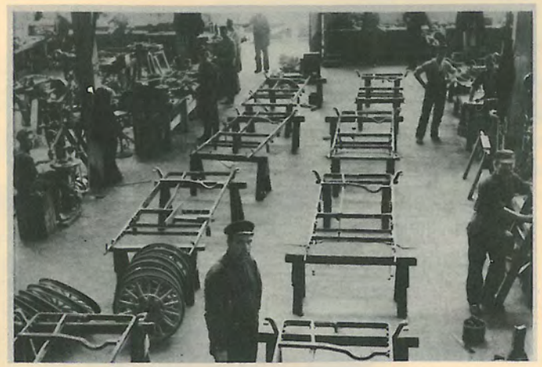
Price, Waterhouse & Co.

EVOLUTION OF AN IDEAL

Manufacturing methods have changed with the years. But never, in its entire 50-year history, has Packard wavered from its original determination to be an exclusive builder of fine motor cars.

As a result of this loyalty to an ideal, Packard precision craftsmanship has become known, and respected —and *taken for granted*—in every part of the world.

Packard quality has been so *consistently* good that of all the Packards built, during the last 50 years—more than 1,000,000 fine cars—over *50% are still in service.*



This was "fine car manufacturing" at the turn of the century

This is fine car manufacturing today

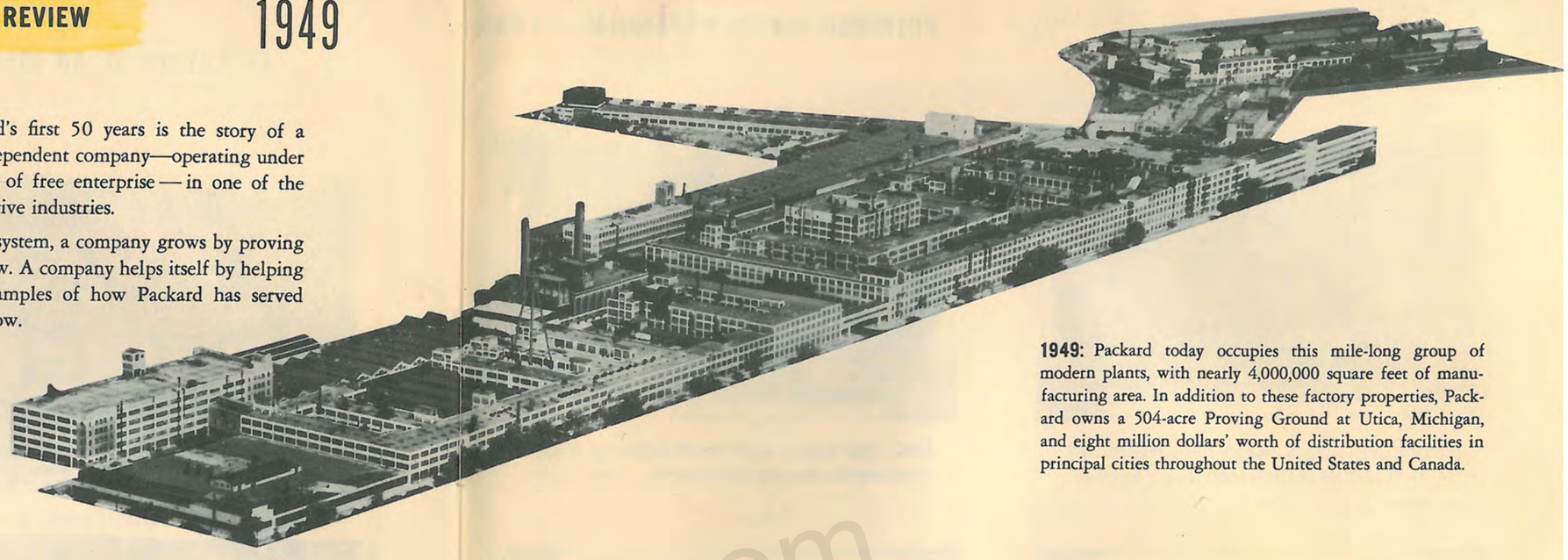
A highlight review of Packard progress since 1899 is presented on the four pages that follow...

1899 GOLDEN ANNIVERSARY REVIEW 1949

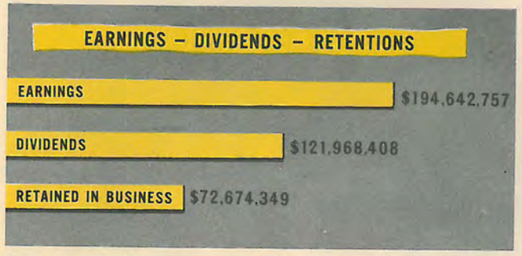
1899: when James Ward Packard and Warren D. Packard built their first motor car by hand, they required only a corner of their electrical fixture factory for the task. From this little plant in Warren, Ohio, the Company moved, in 1903, to a more modern factory in Detroit.

The story of Packard's first 50 years is the story of a soundly-managed independent company—operating under the American system of free enterprise — in one of the world's most competitive industries.

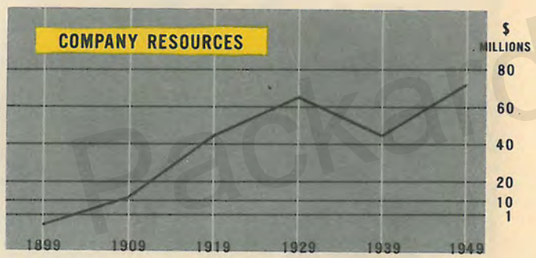
Under the American system, a company grows by proving that it *deserves* to grow. A company helps itself by helping the nation. Some examples of how Packard has served America are cited below.



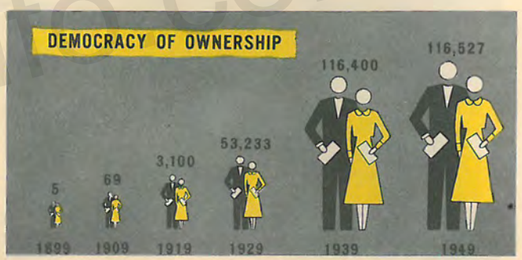
1949: Packard today occupies this mile-long group of modern plants, with nearly 4,000,000 square feet of manufacturing area. In addition to these factory properties, Packard owns a 504-acre Proving Ground at Utica, Michigan, and eight million dollars' worth of distribution facilities in principal cities throughout the United States and Canada.



During its first 49 years, Packard has paid dividends amounting to 62.7% of its total earnings. The remaining 37.3% was retained to safeguard the Company's future success.



In 1899, only about $600.00 was required to make a job for one man. In today's highly competitive automotive industry, the investment for each Packard job is $6,000.00.



Packard in 1899 was owned by five people. Today it is owned by 116,527. No single shareholder owns more than 2% of the 15,000,000 shares of stock.

In 49 years, Packard jobs have grown from 17 to 11,665. Average factory hourly wage rates have climbed from 20c to $1.65 (not including various employee benefits).

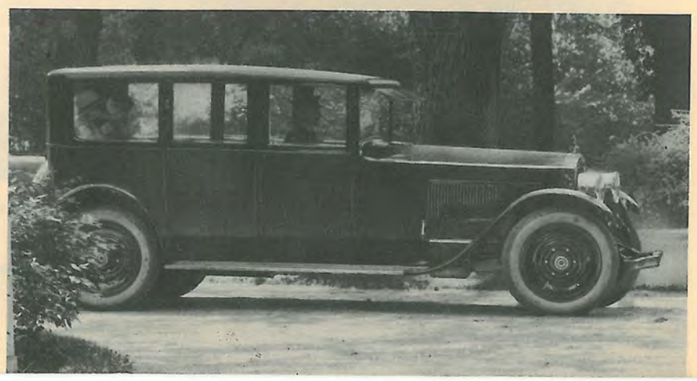
AN EXAMPLE OF HOW PACKARD PROGRESS HAS SERVED THE MOTOR CAR BUYER

THE FIRST PACKARD EIGHT, in 1923, won fame as the first production car in America with straight-eight engine and four-wheel brakes. Among its other innovations were front and rear bumpers, and a built-in stop light signal.

80 HP

List price, F. O. B. Detroit . . . $4,650

Price per pound: $1.09



TODAY'S 1949 PACKARD EIGHT is far superior to its 1923 ancestor in performance, roominess and riding comfort, handling ease, durability, and economy of upkeep. And it includes, as standard equipment, more than a score of features which were unheard of in 1923.

130 HP

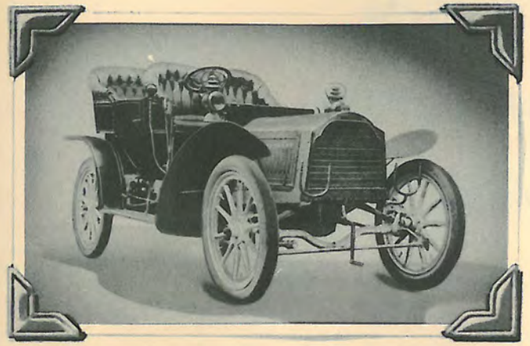
List price, F. O. B. Detroit . . . $2,299

Price per pound: 60c

PICTURES YOU'LL REMEMBER . . . FROM THE GOLDEN ANNIVERSARY ALBUM

1899: The first Packard, "Model A." Completed November 6, 1899, in Warren, Ohio.

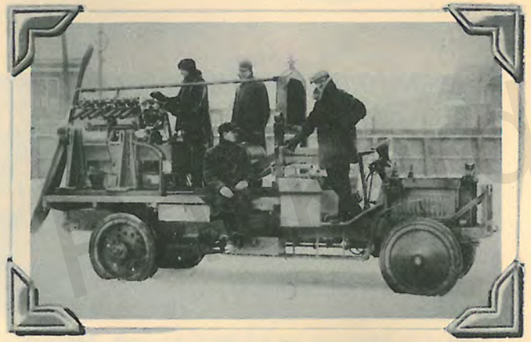
1903: "Old Pacific," a 1902 Packard, was the first of today's motor cars to cross the country.



1904: The world's best-known radiator lines were introduced on this first of the Detroit-built Packards.

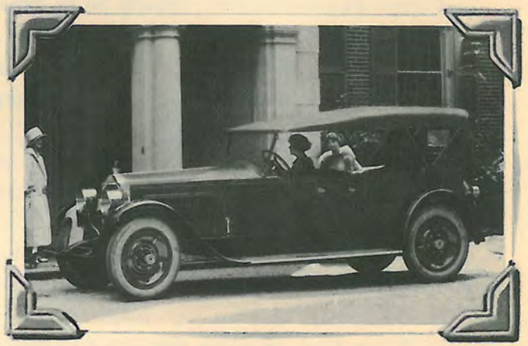
1907: Like its husky predecessors, famous Model "30" dominated the reliability tours of its day.

1915: The Packard Twin-Six won fame as America's first car powered with a V-12 engine.

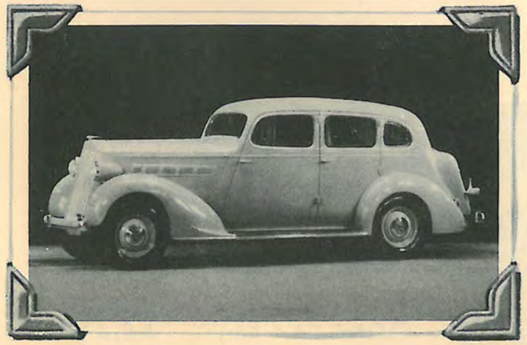


1918: The Liberty engine (co-designed by Packard) undergoes an early test.

1920: The nimble "Single Six" helped solve the traffic problems of its day.

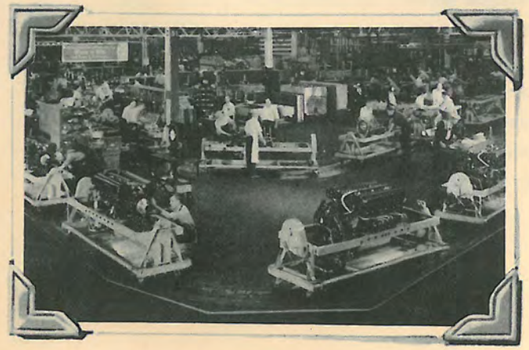


1923: Packard pioneered again, with America's first production-built straight eight.

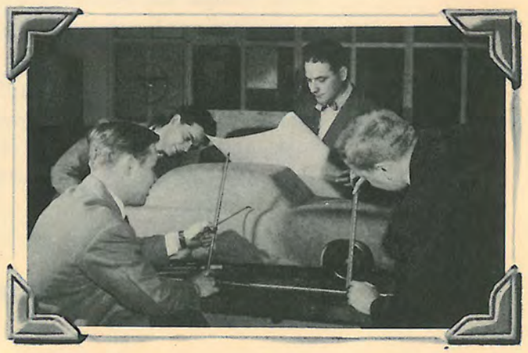


1935: The historic "120" brought traditional Packard quality to the medium-price field.

1941: With its "fade-away" fenders, the sleek Packard Clipper started an industry-wide style cycle.



1942-46: Aircraft and marine engines, Packard-built in *volume*, marked World War II.



1949: Packard has special plans for celebrating its Golden Anniversary.

Two Invitations

and two very practical suggestions . . .

for every Packard stockholder

Your nearby Packard dealer joins us in encouraging you to keep fully posted on your Company's progress and products. So he extends these two special invitations to you:

1 — Visit his place of business and see how he is equipped to advance your Company's interests in your own community.

2 — Take an introductory drive in one of the new Packard motor cars, to familiarize yourself with Packard performance and Packard value.

As one of the owners of the Packard Motor Car Company, you are entitled to these courtesies, and they carry no obligations.

We do hope, of course, that your visit and your ride will prompt you to carry out these two very practical suggestions:

1 — Patronize your Packard dealer's service station, regardless of the make of car you drive. Sample the benefits of Packard *precision* service, at competitive prices. This is good business for you, as well as for him.

2 — Share your knowledge of Packard motor cars with your friends. Keep them up to date on Packard developments and Packard values. This activity does not call for "selling" —it merely calls for "telling." This is your *easy* way of giving important support to your Company . . . and in turn benefiting yourself.

PACKARD MOTOR CAR COMPANY • DETROIT 32, MICHIGAN

ASK THE MAN WHO OWNS ONE

Litho in U. S. A.