Annual Report
and
Consolidated Balance Sheet
of
MACK TRUCKS, Inc.
and Subsidiary Companies

December 31, 1944
BOARD OF DIRECTORS

Louis G. Bissell, Chairman

E. D. Bransome
George E. Clark
John N. Marshall
William S. Newell

Clarkson Potter
Walter E. Reid
C. T. Ruhf
J. E. Savacool

TRANSFER AGENT OF STOCK

Guaranty Trust Company of New York, New York City

REGISTRAR OF STOCK

Bankers Trust Company, New York City

OFFICERS

C. T. Ruhf, President
F. F. Staniford, Vice President-Sales Manager
J. E. Savacool, Vice President-Comptroller
*L. C. Josephs, Jr., Vice President-Chief Engineer
W. M. Walworth, Acting Chief Engineer
C. W. Haseltine, Vice President-Secretary-Treasurer
T. V. Homan, Asst. Secretary-Asst. Treasurer
F. W. Sommer, Asst. Secretary-Asst. Treasurer
F. R. Harrison, Assistant Secretary
W. H. Schneider, Assistant Comptroller
H. S. Conklin, Auditor
A. W. Rice, Branch Auditor

*Resigned February 28, 1945

The Annual Meeting of Stockholders will be held on April 25, 1945. The management will solicit proxies for this meeting and proxy material will be mailed to stockholders about March 19, 1945.
Enclosed herewith is Consolidated Balance Sheet at December 31st, 1944 and Statement of Consolidated Operations for the year ended December 31st, 1944 of your Corporation and its subsidiary companies, certified by Arthur Young & Company.

Net Sales for 1944 amounted to $140,089,859., which is the largest sales volume in the history of the Corporation. This compares with $124,681,113. for the year 1943.

Renegotiation proceedings for the year 1943 were concluded late in 1944 with the Price Adjustment Board, Philadelphia Ordnance District. These proceedings resulted in a determination of "Excessive Profits" in the amount of $2,592,100. which, after proper allowances for Federal Taxes and Adjustment of Post War Refund of Excess Profits Tax, would entail a net refund to the Government of $372,050. This is shown as a Current Liability on the Balance Sheet, and as a charge to Earned Surplus in the amount of $291,440. While this determination has not yet been approved by the War Department at Washington, no change is expected by the management.

No provision has been made in the accounts for possible refund as a result of renegotiation proceedings for the year 1944. The principal Government Contracts which were performed in 1944 were repriced to a low margin of profit, and, although Net Sales were high, the margin of profit on such contracts was so low that your management believes there should be no refundable profits for the year 1944.

Net Income for the year 1944 amounted to $3,585,357. after a reserve of $500,000. for Post War Adjustment, as compared with $3,073,088. for 1943 before renegotiation and $2,781,648. after renegotiation, as above outlined, and in each case after $500,000. reserve for Post War Adjustment.

Such net income, as reported for 1944, amounts to $6.00 per share of stock outstanding, as compared with $5.14 per share for 1943 before renegotiation, and $4.65 per share after renegotiation, as above outlined. Dividends aggregating $3.00 per share were paid during 1944, equalling in amount the dividends paid in 1943.

Mack Trucks has continued increasingly to meet the demands of the war, and is continuing this policy in the year 1945.

During the year 1944 the War Production Board released material in order that the manufacture of civilian trucks could be resumed on a limited basis. Your Corporation was allotted its quota of this business and a substantial number of civilian trucks were produced and marketed in 1944. It is expected that your Corporation will produce and market considerably more civilian trucks in 1945 than in 1944.
Stockholders were advised in the annual report made to them for the year 1942 that at the instance of the Navy Department the Bus Assembly Plant at Allentown, Pennsylvania, was to be leased to Vultee Aircraft, Inc. and that the Government was to provide the Corporation with substitute space for operations for war purposes. Such Bus Assembly Plant was subsequently so leased and the Corporation was provided by the Government with various substitute buildings in and about Allentown, which, however were not suitable for bus production. The Corporation expects to receive, from the Government, before the end of 1945, certain additional space near Allentown, available for bus assembly until the return to the Corporation of its own Bus Assembly Plant. The aggregate of all such substitute space is approximately the same as that of said Bus Assembly Plant of the Corporation, but will afford the Corporation only 62% of its normal peacetime bus production capacity. The Corporation expects to resume bus production in 1945 subject to Government control applicable thereto.

At the end of 1944 unfilled orders of all kinds amounted to over $110,000,000.; there were 12,413 employees on the payrolls.

Since the inception of the payroll deduction plan for the purchase of War Bonds, Mack employees have purchased approximately $6,500,000., maturity value, of bonds and war savings stamps. At the present time over 7,000 employees are contributing over $180,000. monthly to this purpose.

To all our officers, managers and employees we express again our appreciation of the work they have done and of the contributions they have made to the activities of the Corporation.

By order of the Board of Directors.

LOUIS G. BISSELL
Chairman of the Board

C. T. RUHF
President

New York, N. Y.
March 14th, 1945.
# MACK TRUCKS, INC.
## CONSOLIDATED BALANCE SHEET

### ASSETS

#### CURRENT ASSETS:
- **Cash in Banks and on Hand**: $17,726,479.71
- **Government Securities—at cost (approximately market)**:
  - **U. S. Government**: $5,000,000.00
  - **Dominion of Canada**: $211,666.67
- **Accounts Receivable**:
  - **U. S. Government Departments**: $6,426,814.40
  - **Other (less Reserve $134,705.47)**: $3,226,937.86
  - **Installments Receivable (less Reserve $200,000.00) (Note A)**: $1,155,195.24
  - **Inventories (less Reserve $500,000.00) (Note B)**: $32,091,104.02
- **Total Current Assets (Note C)**: $65,838,197.90
- **EMERGENCY PLANT FACILITIES—Reimbursable by U. S. Government**: $127,736.12
- **SUNDARY INVESTMENTS (less Reserve $19,615.99)—at Cost or Nominal Value**: $223,523.32
- **POST-WAR REFUND OF EXCESS PROFITS TAX (includes $870,985.98 of excess profits tax refund bonds)**: $3,137,614.23

#### FIXED ASSETS—At Cost:
- **Real Estate**: $1,714,647.09
- **Buildings and Building Equipment**: $13,591,085.63
- **Machinery and All Other Equipment**: $16,295,598.21
  - **Less: Reserve for Depreciation**: $21,749,350.75
  - **Emergency Facilities—Company Owned**: $1,341,642.29
  - **Less: Reserve for Amortization**: $693,047.55
- **DEFERRED CHARGES (prepaid taxes, insurance premiums, etc.)**: $528,135.15

**Total Assets**: $80,355,781.64

See Notes to Financials.
LIABILITIES AND CAPITAL

CURRENT LIABILITIES:

Notes Payable to Banks—Regulation “V” Loan (VT Type) (Note D)........ $20,000,000.00
Accounts Payable .......................................................... 7,953,304.11
U. S. Government—Renegotiation of war contracts 1943 (Note E)........ 372,050.75
Accrued Accounts (taxes, except Federal income taxes, wages, commissions,
insurance premiums, etc.) ................................................... 4,957,721.49
Provision for Federal Income and Excess Profits Taxes
(Note F) ............................................................................ $14,582,330.93
  Less: U. S. Treasury Tax Notes, at cost 12,830,000.00 1,752,330.93
Total Current Liabilities ..................................................... $35,035,407.28

RESERVE FOR POST-WAR ADJUSTMENTS .................................. 3,000,000.00

MINORITY INTERESTS .................................................................... 2,300.00

CAPITAL STOCK:

Common, No Par Value: Shares
Authorized 817,973
Outstanding 597,335 Stated at $5 per share 2,986,675.00

SURPLUS:

Capital Surplus Paid-In (unchanged during the year)...........$25,874,547.26
Earned Surplus (per accompanying statement)
(Notes D and E)............................................................ 13,456,852.10 39,331,399.36

$80,355,781.64
MACK TRUCKS, INC., AND SUBSIDIARIES

STATEMENT OF CONSOLIDATED OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 1944

SALES — NET .......................................................... $140,069,858.95
COST OF GOODS SOLD, SELLING AND GENERAL
ADMINISTRATIVE EXPENSES (*) ........................................ 122,883,490.88
NET OPERATING PROFIT FOR YEAR .................................. $ 17,206,368.07

Deduct:
Interest paid .......................................................... $ 795,553.42

Less:
Interest on Installments Receivable... $ 62,846.02
Interest on Government Securities... 115,535.39
Rental Income ........................................ 124,095.00
Miscellaneous Other Income ......... 72,066.12 374,542.53 421,010.89

NET PROFIT FOR YEAR BEFORE FEDERAL INCOME AND
EXCESS PROFITS TAXES .................................................. $ 16,785,357.18

Deduct:
Estimated Federal Income Taxes:
Normal tax and surtax ...................... $ 1,180,000.00
Excess profits tax ................................ $12,800,000.00
Less: Post war credit ................. 1,280,000.00 11,520,000.00 12,700,000.00

NET PROFIT FOR YEAR .................................................. $ 4,085,357.18

Less: Provision for Post-War Adjustments ................................ 500,000.00

BALANCE OF INCOME FOR YEAR, TRANSFERRED TO
EARNED SURPLUS ...................................................... $ 3,585,357.18

(*) Includes provision for reserves for depreciation and amortization of $1,026,271.00.

STATEMENT OF CONSOLIDATED EARNED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 1944

EARNED SURPLUS AT DECEMBER 31, 1943 ......................... $ 11,954,939.64
Add: Balance of income for year, per accompanying statement
of consolidated operations ........................................ 3,585,357.18

Deduct:
Reduction in net profit for the year 1943 resulting from
renegotiation of war contracts to December 31,
1943 (Note E) ........................................ $ 291,440.17
Cash dividends on common stock .................. 1,792,004.55 2,083,444.72

EARNED SURPLUS AT DECEMBER 31, 1944 ......................... $ 13,456,852.10

See Notes to Financial Statements.
MACK TRUCKS, INC., AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
AT DECEMBER 31, 1944

Note A:
Installments receivable, of which $289,451.00 are due at dates subsequent to December 31, 1945, are secured by chattel mortgages, conditional sales agreements or leases.

Note B:
Inventories are stated at average cost with proper provision for obsolete items. All such inventory values are less than the selling market after allowing for selling expenses. No intercompany profits are included in inventory.

Note C:
Current assets include $238,712.17 of cash, $211,666.67 of Dominion of Canada securities and $101,631.28 of other current assets in respect of the Company's Canadian subsidiary, converted at current rate of exchange. Such assets are realizable in United States currency only under permit from the Canadian Foreign Exchange Control Board. There is included in the statement of consolidated operations the net profit of such subsidiary which is not material in amount.

Note D:
Notes payable to banks—Regulation "V" Loan (VT Type) are outstanding pursuant to an agreement providing for a revolving credit in the aggregate amount of $50,000,000.00 and in which the Company agrees that it will not declare a dividend nor make any other distribution to stockholders which would reduce the consolidated earned surplus below $8,000,000.00 and further, that dividends or other distributions to stockholders (other than stock dividends, if any) shall not exceed consolidated net earnings after December 31, 1942. At December 31, 1944 the portion of the consolidated earned surplus not available for dividends or other distributions in cash was $10,673,856.03.

Note E:
Agreement has been reached with the War Department, Philadelphia Ordnance District, in respect of renegotiation proceedings for the year 1943 but the agreement has not yet been approved by the War Contracts Price Adjustment Board. The effect of this agreement is summarized as follows:

Gross refund ................................................................. $2,592,100.00
Less: Credit for federal income taxes ........................................... 2,220,049.25
Net cash refund ............................................................... $ 372,050.75
Reduction of post-war refund of excess profits tax .................. 222,004.92
Deduct:
Refund provided in 1943 accounts ...................................... $1,000,000.00
Less: Adjustment of 1943 net provision for federal income taxes 697,384.50
Net charge to surplus ........................................................ $ 291,440.17

Renegotiation proceedings have not yet been commenced in respect of the year 1944. On the basis of the agreement for the year 1943 referred to above, no refund should be necessary.

Note F:
The federal income tax returns filed for all years up to and including 1941 have been reviewed by the Bureau of Internal Revenue and final settlement made.

Note G:
No provision has been made in the accounts for such future payments as may be made under annuity plan adopted by the Company in 1940 and extended in 1942. The Company has the right to modify, suspend or discontinue the plan in whole or in part at any time, and the future cost of same will be charged to operations as paid. The estimated cost of purchasing, at the present time, the balance of retirement benefits in respect of past services would approximate $631,000.00.
CERTIFICATE OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors and Stockholders
Mack Trucks, Inc.
New York, N. Y.

We have examined the consolidated balance sheet of MACK TRUCKS, INC., AND SUBSIDIARIES at December 31, 1944 and the statements of consolidated operations and earned surplus for the year then ended, have reviewed the system of internal control and the accounting procedures of the Companies and, without making a detailed audit of the transactions, have examined or tested accounting records of the Companies and other supporting evidence, by methods and to the extent we deemed appropriate. It was not practicable to confirm receivables from the United States Government, as to the substantial accuracy of which we satisfied ourselves by other means. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

In our opinion, the accompanying consolidated balance sheet and statements of consolidated operations and earned surplus, present fairly the position of Mack Trucks, Inc., and Subsidiaries at December 31, 1944, 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.

ARTHUR YOUNG & COMPANY

New York, N. Y.
March 12, 1945.