OUR PRESIDENT'S MESSAGE

To employees and shareholders:

I am happy to report that our fiscal year ending October 31, 1951, was the largest in our history, surpassing our previous record year by approximately 50 per cent. The volume of work completed was $52,269,394, and the net profit after taxes amounted to $1,136,417.

Although the profits realized were not commensurate with the dollar volume of business, the operations for the year were quite successful. As a result of the rearmament program, the cost of both materials and labor have increased, and in certain instances it has not been possible for us to protect our firm price contracts against this increase.

In September we completed the construction of our second engineering building at the home plant. This has added some 27,000 square feet of floor space. We have also arranged through lease to occupy a portion of the Rexall Square Building in West Los Angeles, making available another 25,000 square feet of floor space. We are continuing to occupy four floors of the 755 South Spring Building, downtown Los Angeles, which gives us sufficient space for our present operations.

We presently are employing the largest number of people in our history. Our total number of employees on October 31 was 4,412, of which 1,143 were located at our various offices in the Los Angeles area.

Late in the year we completed the formation of a wholly-owned subsidiary to be known as Middle-East Fluor, S. A., incorporated under the laws of the Republic of Panama. The primary purpose of this company will be to perform construction work in foreign countries.

Our Mid-Continent Gas-Gasoline Department located at Houston, Texas, has been expanded considerably. In addition to gas compressor stations and natural gasoline plants, this department has undertaken sizable refinery projects and we plan to expand it further in this direction. A new building is being erected there and is scheduled for completion early in 1952. We have arranged for a long-term lease on this property, which will make available more desirable facilities than the Houston department has had in the past.

Our contracts with various government agencies now represent approximately 35 per cent of our total volume of business. This includes our contracts with the Atomic Energy Commission for certain installations at the National Reactor Testing Station in Idaho. We have work in progress for our armed forces at numerous locations, both inside and outside the continental United States.

During the year we completed negotiations with the Mathieson Chemical Corporation whereby we succeeded to the proprietorship of the Mathieson sulfur conversion and acid sludge processes. We have realized a substantial volume of business in this field and in the gas treating field. With our glycol-amine combination gas sweetening and dehydration process, we now have an installed capacity in excess of one billion standard cubic feet per day.

In the public utility field we are continuing our activities at an accelerated rate. We presently have five steam-electric generating installations under construction for four different companies.

The outlook for the future is the most promising in our history. Our backlog of unfinished business is presently in excess of $100,000,000, and we expect to make 1952 another record year. We have never been in as good a condition to process this volume as we presently are. I deeply appreciate the fact that Fluor's excellent position has been attained through the fine work of our employees, the confidence of our new shareholders and the loyalty of our older shareholders.

by order of the board of directors
"The volume of work completed was $52,989,994...

Our engineering and construction revenue, over $42,750,000, was larger than it has ever been before. This was also true of our manufactured products revenue of over $9,330,000. The mill at our Los Angeles plant produced just under 10,000,000 board feet of redwood cooling tower parts, and nearly every other product was produced in considerably larger volume than ever before.

In last year's annual report, we reported the formation of Fluor Maintenance, Inc., a wholly-owned subsidiary specializing in maintenance work for the petroleum and chemical industries. This organization has been active since that time, and has been able to offer a service that proves very convenient and profitable to our customers. The volume of work processed by Fluor Maintenance, Inc. during 1951 totalled $1,650,000.

"We are presently employing the largest number of people in our history..."

Although our employee group increased nearly 100 per cent during 1951, each level of management was able to maintain the informal "human touch" policy—a tradition which has always characterized Fluor and has added much to the success of our organization. Representatives from private industries and federal agencies who have worked with us or have inspected our facilities have shown great interest in our closely integrated organization.

Through our job evaluation program, we established early in 1951 an operating plan for wage and salary administration. This plan was designed to administer a liberal consistent salary schedule for all regular employees not represented by bargaining organizations, and it has enabled us to avoid many problems and entanglements that otherwise...
might have been encountered under federal wage and salary stabilization.

We are now organizing a safety program under Industrial Relations to assist our construction superintendents in their administration of this very important function. Although our safety record has been very good, we are constantly looking for ways to improve it. The improvement we foresee will result not only in better labor relations and improved working conditions, but in dollar savings for Fluor and our customers. These dollar savings will come from the reduction of both lost productive time and insurance premiums.

Fluor contributed $280,397 or 10 per cent of its net income before taxes to each of the two employees' Trust Funds. Each of the 753 participants in Trust Fund Number One who were eligible during the entire year received a deposit equivalent to 6.70 per cent of their base pay. Of the 1662 participants in Trust Fund Number Two, those eligible during the entire year were credited with a sum amounting to 4.71 per cent of their base pay. All employees participating in Trust Fund Number One also participate in Trust Fund Number Two and thus received both deposits, or a total of

This chart shows how the two Trust Funds have built up savings for an employee working continuously since 1940 at an annual salary of $5,000 per year.

11.41 per cent of their eligible salaries. No contribution is made by the participants, the entire amount being taken out of Fluor's net income.

“We completed the formation of a wholly-owned subsidiary to be known as Middle-East Fluor, S. A. . . .”

This new company has purchased the physical assets of Fluor Middle-East, S. A., an independent corporation which has been doing a considerable amount of construction work for the Arabian American Oil Company since 1948. Field operating headquarters will be in Dhahran, Saudi Arabia. J. S. Fluor will serve as president of Middle-East Fluor, S. A., in addition to his present position of executive vice president of The Fluor Corporation, Ltd.

The subsidiary will commence operations on January 1, 1952, under contracts that have been signed with the Arabian American Oil Company. The volume of work should be very substantial in view of an extensive expansion program now under way by Aramco, which should take three to five years to complete. In addition to foreign personnel, Middle-East Fluor, S. A., expects to employ 500 American supervisors and technicians on this work. Related engineering and process designing will be handled by Fluor at Los Angeles.

“Our Mid-Continent Gas-Gasoline Department located at Houston, Texas, has been expanded considerably . . . .”

The Mid-Continent Gas-Gasoline Department was formed in 1948 to independently handle complete engineering and construction of plants and facilities for the natural gas and gasoline industries. All estimating, process design, engineering, project administration, purchasing and accounting is done within the department. This group was formed in Houston for the convenience of our customers in the Mid-Continent and Southwest areas.

Our Mid-Continent Gas-Gasoline Department has been operating very successfully since its beginning, and has entered several fields besides the natural gas and gasoline industries. The Houston
group has handled a number of oil refinery and chemical plant projects, and plans to do more of this type of work in the future.

The dollar volume of work performed by this department during 1951 amounted to $9,800,000.

The new building to be occupied in 1952 will be air-conditioned and will contain 15,000 square feet of floor space. It will contain all facilities for the efficient operation of the department.

"Our contracts with various government agencies now represent approximately 35 per cent of our total volume of business..."

During 1951 we established a Defense Projects Engineering Department under the Engineering and Construction Division. This self-sufficient organization does its own purchasing, accounting, engineering and drafting for all of Fluor's defense projects. The department does its own hiring and clearing of personnel to work on restricted assignments. This separation was made since our armed forces work is for an entirely different customer group, and the operating procedures are unlike those normally followed in the private industrial fields.

The new arrangement has been extremely successful, and the department has completed a considerable volume of work with outstanding efficiency and coordination of the above activities.

"Our backlog of unfinished business is presently in excess of $110,000,000..."

Fluor's Sales Department has had its most successful year in our history. New engineering and construction contracts totalled approximately $84,500,000. Product orders added nearly $12,000,000. This increase has been accomplished with practically the same sales staff we had the previous year, and with a comparatively small sales expense. The total sales and advertising expense was less than one per cent of our dollar sales.

Locations of engineering and construction jobs underway or scheduled to commence in 1952. In addition, work is now in progress in other countries not shown here.
### Comparative Consolidated Balance Sheet October 31, 1951 and 1950

**Assets**

<table>
<thead>
<tr>
<th></th>
<th>October 31</th>
<th>October 31</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1951</td>
<td>1950</td>
</tr>
<tr>
<td><strong>Current Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>$358,072</td>
<td>$786,385</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>7,646,194</td>
<td>4,015,564</td>
</tr>
<tr>
<td>Federal income tax refund receivable</td>
<td>20,377</td>
<td>17,894</td>
</tr>
<tr>
<td>Unbilled charges on uncompleted contracts</td>
<td>4,043,382</td>
<td>-</td>
</tr>
<tr>
<td>Inventories</td>
<td>2,786,191</td>
<td>1,818,759</td>
</tr>
<tr>
<td>Prepaid insurance, taxes and sundry deposits</td>
<td>55,461</td>
<td>59,047</td>
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<tr>
<td><strong>Total current assets</strong></td>
<td>14,909,677</td>
<td>7,935,765</td>
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<tr>
<td><strong>Fixed Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land, buildings and equipment net</td>
<td>2,902,371</td>
<td>2,037,302</td>
</tr>
<tr>
<td><strong>Other Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Patents, etc.</td>
<td>87,479</td>
<td>59,377</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>$17,879,527</td>
<td>$10,032,444</td>
</tr>
</tbody>
</table>

**Liabilities**

<table>
<thead>
<tr>
<th></th>
<th>October 31</th>
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</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1951</td>
<td>1950</td>
</tr>
<tr>
<td><strong>Current Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Notes payable</td>
<td>$650,000</td>
<td>$78,500</td>
</tr>
<tr>
<td>Accounts payable</td>
<td>5,098,778</td>
<td>2,559,642</td>
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<tr>
<td>Customers' deposits, advance payments and fee adjustments</td>
<td>1,366,903</td>
<td>145,048</td>
</tr>
<tr>
<td>Federal taxes on income</td>
<td>1,202,749</td>
<td>417,683</td>
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<tr>
<td>Accrued liabilities</td>
<td>1,189,770</td>
<td>773,893</td>
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<tr>
<td><strong>Total current liabilities</strong></td>
<td>9,508,200</td>
<td>3,942,616</td>
</tr>
<tr>
<td><strong>Noncurrent Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Notes payable—noncurrent maturities</td>
<td>1,350,000</td>
<td></td>
</tr>
<tr>
<td><strong>Deferred Income</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unearned fees on construction contracts</td>
<td>183,308</td>
<td>68,237</td>
</tr>
<tr>
<td><strong>Capital</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributed capital</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital stock—400,000 shares ($2.50 par value)</td>
<td>1,000,000</td>
<td>1,000,000</td>
</tr>
<tr>
<td>Capital contributed in excess of par value of capital stock</td>
<td>600,003</td>
<td>600,003</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>5,237,987</td>
<td>4,421,589</td>
</tr>
<tr>
<td><strong>Total capital</strong></td>
<td>$17,879,527</td>
<td>$10,032,444</td>
</tr>
</tbody>
</table>

**Notes to Financial Statements**

**Note B—Accounting treatment with respect to construction contracts**

In general, the company follows the policy of recognizing income on construction contracts in the proportion that the aggregate expenditures incurred bear to the total estimated cost of the work being performed under the contracts. Fees billed in advance to customers under the terms of the contracts are considered to be deferred income and are not recognized as income until earned.

**Note C—Contingent liability**

The California State Board of Equalization has filed a Notice of Assessment in the amount of $96,308.18 for sales tax on certain products manufactured in California and shipped to customers outside the State. It is believed by the management that the company is not liable for such tax and no provision has been made for any part of the assessment.

**Note E—Renegotiation**

During the year under review, the company made sales under certain contracts with the government which may be subject to the Renegotiation Acts of 1948 and 1951 and amendments thereto. Such sales for the year ended October 31, 1951, approximate $8,500,000.00. Presently no actual renegotiation proceedings have been instituted and the company is not in a position to know whether or not it may be obligated to refund any amount to the government. It is the opinion of the management that no provision for renegotiation is, at present, required.
consolidated statement of income

The Fluor Corporation, Ltd.
and wholly-owned subsidiary
Fluor Maintenance, Inc.

To better illustrate the 1951 income statement, a percentage breakdown is expressed in terms of each $100 of income.

THE CORPORATION RECEIVED FROM: 1951 1950 1949

Net sales (See notes below) $42,751,254 $34,421,313 $21,030,588 $24,868,863

Construction revenue—Including unbilled charges on uncompleted construction contracts 9,934,842 7,985,275 5,985,275 7,500,860

Roaylties, discounts and other 183,298 .35 151,832 103,443

Total sales and revenue $52,269,394 $42,558,423 $26,577,695 $32,479,166

WHICH WAS USED FOR:

Wages and salaries $17,977,896 $17,339,936 $10,660,401 $11,701,381

Materials and services purchased from others 30,621,384 17,686,194 16,164,911 14,164,911

Depreciation, maintenance, repairs on plant and equipment 644,583 354,844 554,844 544,974

Contributions to employees' benefit trust funds 569,501 263,706 434,573 434,573

Interest on indebtedness 78,061 831 13,650 13,650

State, local and miscellaneous taxes 114,167 113,504 158,317 158,317

Federal taxes on income 1,127,385 295,250 765,373 765,373

Total costs and expenses $51,132,977 $40,424,583 $26,098,260 $31,259,649

THIS LEFT NET INCOME FROM OPERATIONS OF $1,136,417 $2,133,840 $479,435 $1,219,517

-- THE CORPORATION PAID DIVIDENDS OF $320,000 $198,291 $198,777 $198,777

AND RETAINED IN THE BUSINESS FOR FUTURE NEEDS $816,417 $1,935,549 $280,658 $1,020,740

note 1—The sales for the year ended October 31, 1950, as shown by the books, have been reduced $235,377 and sales for the year ended October 31, 1949, increased the same amount to give effect to adjustments made in the statements of operations filed with the Securities and Exchange Commission wherein that amount was transferred to the prior year.

note 2—The provisions for federal taxes on income have been adjusted $104,538, representing the tax on the above noted income included in 1949 instead of 1950. The provisions for the year ended October 31, 1950, has also been reduced $77,584, representing a refund claim filed for a prior period.

Experience

As a result of our increased activity during 1951 and our entry into different fields of engineering and construction, Fluor has gained valuable experience that places us in a strong position for future work. We have been very successful in the design and installation of steam power generating plants, and have proved our qualifications for doing this type of project.

Our oil refinery work has been increased during the year, a major portion being the mechanical and structural design and construction of five Thermoflow Catalytic Cracking units. The first of the five was put on stream in May. Fluor perfected a unique method of erecting these tall slim structures, which as far as we know has never before been used on this scale. All vessels and structural sections are prefabricated on the ground, piping and insulation installed as far as possible, and these large semi-completed components are raised into place with the help of specially designed cranes in the manner illustrated here.

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PREPARING FOR THE FUTURE
relatively few lifts. The resulting efficiency in construction gets the plant into operation several months sooner than by conventional methods. This innovation was developed jointly by Fluor's engineering and construction personnel, and is an example of our coordination between departments.

The work we have been doing for government agencies has greatly increased the scope of our experience in new fields. One example of this valuable experience is our work for the Atomic Energy Commission. This type of construction has dealt with large heavy equipment and machinery, using much greater precision in construction techniques than is necessary in most plants. These precision techniques, together with our experience in atomic energy installations, qualify Fluor to do more of this type of work for the Atomic Energy Commission and for private industry. When atomic power plants come into general use, Fluor may become a major designer and constructor of such plants.

Some of our government projects are scheduled several years into the future, and this type of work appears to be expanding. As defense programs are completed, government civil works projects will be started, and we are confident that we are in an excellent position to continue the type of work that our Defense Projects Engineering Department is now doing.

**Materials**

Although we encountered serious materials problems this past year, we do not believe that materials allotments or shortages will seriously limit our manufacturing and construction operations during 1952. We are fortunate that our products and services are in demand by industries essential to the defense program. In general, our types of construction projects and product manufacturing have been permitted to expand.

We are doing every thing possible to obtain sufficient materials to continue production at the present rate.

**Planning**

Fluor is constantly making organization changes to keep up with the increase in personnel, and to more efficiently handle the present and anticipated volume of work. One example is our reorganization of the Purchasing Department into project buying instead of commodity buying groups. This places all procurement for each construction project under the responsibility of a project buyer. Such an arrangement not only simplifies records and communications, but makes the most effective use of experienced personnel to handle our procurement problems. Another example of this reorganization is the separation of foreign and domestic construction groups. With this separation we can keep a nucleus of key personnel who have chosen foreign construction work as a career. We will be able to study foreign manpower problems, labor and tax laws, weather conditions, customs, living accommodations and transportation problems. This will place Fluor in a good position to bid foreign construction work, which appears to offer great possibilities. These are only a few examples of our continuous planning for future business and improved handling of present types of business.

We have completed two years of experience in budgetary control, and plan to extend it to cover all items of overhead expenses. Favorable results have shown we can forecast profit at the beginning of each fiscal year, and adjust the forecast during the year to maintain a closer control of our operations. We will now have the most complete picture possible of our financial standing at all times.

One development that may influence our operations during the coming year will be federal price controls. A system of controls for the construction industry is now being formed, and apparently will be designed on the basis of controlling profits.

In brief, Fluor will continue to do a large volume of business but the cost of doing business will be high, due to the increasingly complex details of procurement, accounting and taxation.
At the annual meeting of shareholders held January 14, 1952, all Directors shown here were elected to the Board. Subsequently, the following changes were made:

D. W. Darnell was elected Chairman of the Board
J. Simon Fluor replaces him as President
J. Robert Fluor becomes Executive Vice President
Shirley E. Meserve will continue as chief counsel and member of the Board.

THE FLUOR CORPORATION, LTD. 3300 South Atlantic Boulevard, Los Angeles 22, California

officers and directors
SHIRLEY E. MESERVE, Chairman of the Board of Directors
DONALD W. DARNELL, President and Director
J. SIMON FLUOR, Executive Vice President and Director
J. ROBERT FLUOR, Vice President and Director
FRANCIS E. FISCHER, Secretary-Treasurer and Director
JAMES P. WHISEMAN, Vice President and Director
DONALD ROYCE, Director
FOSTER M. STEPHENS, Director
JOHN F. GARDNER, Director
JOHN T. SCHULER, Assistant Secretary

The Annual Meeting of Shareholders is held the second Monday in January at 10 a.m. at the Main Office in Los Angeles.