THE FLUOR CORPORATION, LTD.

1949 Annual Report
MECHANICAL DESIGN AND CONSTRUCTION OF THIS COMPLETE REFINERY WAS COMPLETED BY FLUOR IN 1949

1949
ANNUAL REPORT
TO THE EMPLOYEES AND SHAREHOLDERS OF
THE FLUOR CORPORATION, LTD.
ENGINEERS • MANUFACTURERS • CONSTRUCTORS
2500 S. ATLANTIC BLVD., LOS ANGELES 22

Metal Product Fabrication, Mfg. Division, Paola, Kansas
Mid-Continent Gas-Gasoline Department, Houston, Texas

S ALES AND SERVICE OFFICES IN THE UNITED STATES
Los Angeles • San Francisco • New York • Chicago • Boston • Pittsburgh • Tulsa • Houston

S A LES AND SERVICE REPRESENTATION OUTSIDE THE UNITED STATES
In England for all Selling Areas
Head Wrightson Processes Ltd.

In Canada
The Fluor Corporation of Canada, Ltd.

In Mexico
Servicios Industriales De Mexico, S. A.

MESSAGE TO EMPLOYEES AND SHAREHOLDERS
1949 INCOME AND EXPENDITURES
10 YEARS' INCOME AND EXPENDITURES
MANUFACTURED PRODUCTS
ENGINEERING AND CONSTRUCTION
RESEARCH
SALES
OWNERSHIP OF FLUOR
EMPLOYEE BENEFITS
BALANCE SHEET
BOARD OF DIRECTORS AND HONOR ROLL

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14 and 15
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20 and 21
22 and 23
The year 1949 was another outstanding year in the history of The Fluor Corporation, Ltd. The volume of work processed totaled $33,564,876. This is the largest volume year in the history of our company, being approximately $400,000 greater than the corresponding volume for 1948. The net profit realized after taxes was $1,077,457. This figure is somewhat less than the corresponding figure for 1948, the reduction being due primarily to the very keen competitive situation existing throughout the year.

Dividends were paid amounting to $6.00 per share on all shares of outstanding common stock. This conservative dividend policy has resulted in the company's maintaining a sound financial condition. We are happy to report that the share of profits paid into the two employee Trust Funds, before deductions for taxes, amounted to $434,573.

During the year, the range and scope of our activities increased considerably. Arrangements were completed with Head Wrightson Processes Ltd., London, England, whereby we were placed in a satisfactory position to undertake engineering construction projects, and also for the manufacture of our products within the sterling area. Our agreements were ratified by the British Treasury on September 26; these provide for the converting of profits realized into U. S. dollars. Orders for manufactured products have been received in this territory and are now being processed. A number of quotations are outstanding and we anticipate receiving a substantial volume of business in this territory during 1950 and in future years.

The company has entered into agreements with the Mathieson Chemical Corporation, one of the nation's largest chemical firms, whereby we will undertake the sales, engineering and construction of their Sasco Process for the recovery of elemental sulfur from hydrogen sulfide gas. This agreement also includes a similar arrangement for the recovery of elemental sulfur from refinery acid sludge. A substantial amount of engineering and construction should result from these processes in the years ahead.

Arrangements have been concluded with the American Smelting and Refining Company whereby we will handle the sales, engineering and construction of the Asarco Process for the recovery of sulfur dioxide. We anticipate a considerable volume of business from this source in the future.

1949 saw major revisions in our organizational structure. All departments relating to the manufacture of Fluor products were grouped to form the Manufacturing Division and all departments relating to Engineering and Construction were streamlined into a single Engineering and Construction Division. Further revision in our organizational structure included the formation of an Industrial Relations Department, adding immeasurably to better understanding between employer and employees. This department assists in the interpretation of company personnel policy, resulting in a more equitable treatment of all employee problems.

Although business activity in general is still receding, it is believed that Fluor's volume of work for 1950 will be satisfactory. The new processes mentioned should help to compensate for anticipated reduction in volume from other sources. We are entering 1950 with confidence.

By order of the Board of Directors,

[Signature]

President

Comparing Fluor's 10 Year Business Record with that of the Nation's

[Graph showing Fluor's annual gross billing compared to the nation's engineering construction trends.]
### Report of Fluor's Income and Expenditures for the year ending October 31, 1949

#### The Corporation received from:

<table>
<thead>
<tr>
<th>1948</th>
<th>$</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Construction—Billing revenues</td>
<td>$24,677,993</td>
<td></td>
</tr>
<tr>
<td>Manufactured products (less discounts)</td>
<td>8,781,764</td>
<td></td>
</tr>
<tr>
<td>Royalties, discounts and other</td>
<td>105,119</td>
<td></td>
</tr>
<tr>
<td><strong>Total sales and revenues</strong></td>
<td><strong>$33,564,876</strong></td>
<td><strong>100.00</strong></td>
</tr>
</tbody>
</table>

#### Which was used for:

<table>
<thead>
<tr>
<th></th>
<th>$</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wages and salaries</td>
<td>$11,701,381</td>
<td>34.86</td>
</tr>
<tr>
<td>Materials and services purchased from others</td>
<td>19,034,191</td>
<td>56.71</td>
</tr>
<tr>
<td>Depreciation, maintenance and repairs on plant and equipment</td>
<td>529,285</td>
<td>1.58</td>
</tr>
<tr>
<td>Contributions to employees’ profit sharing trust funds</td>
<td>434,573</td>
<td>1.29</td>
</tr>
<tr>
<td>Interest on indebtedness</td>
<td>13,650</td>
<td>.04</td>
</tr>
<tr>
<td>State, local and miscellaneous taxes</td>
<td>113,504</td>
<td>.34</td>
</tr>
<tr>
<td>Federal taxes on income of current period</td>
<td>660,835</td>
<td>1.97</td>
</tr>
<tr>
<td><strong>Total costs</strong></td>
<td><strong>$32,487,419</strong></td>
<td><strong>96.79</strong></td>
</tr>
</tbody>
</table>

#### This left net income from operations of:

$1,077,457

#### Other adjustments:

<table>
<thead>
<tr>
<th></th>
<th>$</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income tax adjustments for prior years</td>
<td>27,790</td>
<td>.08</td>
</tr>
</tbody>
</table>

#### This left net income of:

$1,049,667

#### The Corporation paid dividends of:

198,777

#### And retained in the business for future needs:

$850,890

What happened to Fluor's 1949 gross income dollar.

**NOTE:** Covered by Auditor's Certification shown on page 21 of this report.
<table>
<thead>
<tr>
<th>Year</th>
<th>1949</th>
<th>1948</th>
<th>1947</th>
<th>1946</th>
<th>1945</th>
<th>1944</th>
<th>1943</th>
<th>1942</th>
<th>1941</th>
<th>1940</th>
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</thead>
<tbody>
<tr>
<td><strong>The Corporation received from:</strong></td>
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<tr>
<td>Sales:</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Manufacturing Products (less discounts)</td>
<td>8,781,764</td>
<td>8,682,704</td>
<td>6,518,648</td>
<td>2,636,828</td>
<td>2,564,145</td>
<td>1,937,560</td>
<td>3,147,614</td>
<td>1,981,929</td>
<td>1,022,083</td>
<td>806,293</td>
</tr>
<tr>
<td>Royalties, discounts and other</td>
<td>105,119</td>
<td>142,781</td>
<td>162,729</td>
<td>56,446</td>
<td>8,402</td>
<td>9,464</td>
<td>40,405</td>
<td>22,420</td>
<td>28,388</td>
<td>28,614</td>
</tr>
<tr>
<td><strong>Total Sales and Revenues</strong></td>
<td>33,564,876</td>
<td>33,197,132</td>
<td>32,402,086</td>
<td>12,373,579</td>
<td>14,466,314</td>
<td>15,506,791</td>
<td>32,326,291</td>
<td>10,897,260</td>
<td>5,906,713</td>
<td>4,058,684</td>
</tr>
<tr>
<td><strong>Which was used for:</strong></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wages and Salaries</td>
<td>11,701,381</td>
<td>11,085,841</td>
<td>6,677,879</td>
<td>5,597,960</td>
<td>6,865,060</td>
<td>8,858,953</td>
<td>11,827,783</td>
<td>3,471,981</td>
<td>1,993,641</td>
<td>1,243,162</td>
</tr>
<tr>
<td>Materials and Services purchased from others</td>
<td>19,034,191</td>
<td>17,790,260</td>
<td>13,231,847</td>
<td>6,241,004</td>
<td>6,990,132</td>
<td>5,814,647</td>
<td>9,483,158</td>
<td>6,652,927</td>
<td>3,171,939</td>
<td>2,651,971</td>
</tr>
<tr>
<td>Depreciation, Maintenance and Repairs on plant and equipment</td>
<td>529,285</td>
<td>472,013</td>
<td>355,128</td>
<td>301,938</td>
<td>455,122</td>
<td>318,441</td>
<td>370,933</td>
<td>172,475</td>
<td>98,819</td>
<td>70,807</td>
</tr>
<tr>
<td>Contributions to employers profit sharing trust funds</td>
<td>434,573</td>
<td>751,582</td>
<td>415,917</td>
<td>37,126</td>
<td>21,633</td>
<td>233,844</td>
<td>514,135</td>
<td>140,729</td>
<td>65,000</td>
<td></td>
</tr>
<tr>
<td>Interest on indebtedness</td>
<td>13,650</td>
<td>16,830</td>
<td>21,860</td>
<td>23,222</td>
<td>23,496</td>
<td>17,051</td>
<td>26,280</td>
<td>10,036</td>
<td>17,021</td>
<td>20,187</td>
</tr>
<tr>
<td>State, local and miscellaneous taxes</td>
<td>113,304</td>
<td>74,249</td>
<td>25,823</td>
<td>24,137</td>
<td>45,847</td>
<td>39,748</td>
<td>38,428</td>
<td>19,698</td>
<td>11,761</td>
<td></td>
</tr>
<tr>
<td>Federal taxes on income (current year)</td>
<td>660,835</td>
<td>1,143,601</td>
<td>633,359</td>
<td>50,487</td>
<td>41,469</td>
<td>47,887</td>
<td>860,000</td>
<td>327,833</td>
<td>73,846</td>
<td>14,867</td>
</tr>
<tr>
<td><strong>This left net income from operations:</strong></td>
<td></td>
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<tr>
<td><strong>Other income and adjustments:</strong></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income tax claims and adjustments for prior years</td>
<td>27,790*</td>
<td>1,392*</td>
<td>53,357*</td>
<td>17,784*</td>
<td>51,632</td>
<td>5,571</td>
<td>52,965</td>
<td>5,290</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Excess of sale price over par value of stock (stock premium)</td>
<td>238,875</td>
<td>1,621</td>
<td>1,160</td>
<td>17,800</td>
<td>55,660</td>
<td>142,233</td>
<td>9,810</td>
<td>59,623</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Appraised Value of assets fully amortized (1945) and subsequent normal depreciation and retirements</td>
<td>15,149*</td>
<td>15,850*</td>
<td>74,830*</td>
<td>24,298*</td>
<td>318,083</td>
<td>113,858*</td>
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</tr>
<tr>
<td>Net proceeds from life insurance policies</td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Miscellaneous adjustments</td>
<td>39,199</td>
<td>2,051*</td>
<td></td>
<td></td>
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</tr>
<tr>
<td><strong>This left adjusted net income of:</strong></td>
<td>1,273,392</td>
<td>1,847,163</td>
<td>992,446</td>
<td>23,023</td>
<td>249,384</td>
<td>373,413</td>
<td>344,469</td>
<td>98,192</td>
<td>173,714</td>
<td>31,219</td>
</tr>
<tr>
<td>The Corporation paid dividends of:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>And retained in the business:</td>
<td>1,074,616</td>
<td>1,654,601</td>
<td>864,798</td>
<td>10,129*</td>
<td>161,904</td>
<td>275,412</td>
<td>355,537</td>
<td>14,838</td>
<td>125,091</td>
<td>33,770</td>
</tr>
<tr>
<td><strong>The Corporation also received during the year:</strong></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Proceeds from the sale of stock (par value)</td>
<td>159,250</td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>This left retained income and additional capital of:</strong></td>
<td>1,333,866</td>
<td>1,654,601</td>
<td>864,798</td>
<td>8,049*</td>
<td>184,354</td>
<td>264,908</td>
<td>440,387</td>
<td>31,186</td>
<td>205,516</td>
<td>50,770</td>
</tr>
<tr>
<td><strong>Net worth:</strong></td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Beginning of 10 year period—January 1, 1940</td>
<td>5,474,303</td>
<td>4,240,437</td>
<td>3,585,830</td>
<td>1,731,032</td>
<td>1,729,731</td>
<td>1,545,467</td>
<td>1,300,479</td>
<td>760,093</td>
<td>728,904</td>
<td>533,388</td>
</tr>
</tbody>
</table>

*Net Deduction

Page Eight
The high standards of Fluor products and services had recognition in an even greater volume of business in 1949 than in 1948. Cooling towers led all product sales with a total of nearly $5,000,000.

Recognizing that better engineering and production practices would permit increased production at lesser costs—without loss of quality—a Product Engineering Department was created in the Manufacturing Division to study product improvement, both performance and production-wise. At the same time, a Budgetary Control System was established to maintain closer control on costs. While the full effect of these steps will be felt only over a period of time, we are confident that they will prove deciding factors in realizing an adequate profit margin in the face of the need to meet constantly increasing competition.

Customer Service facilities were transferred to the Manufacturing Division in order to give better service at lower cost.

**Product Improvement**

During the year new designs and improvements were developed for Fluor products. These include:

**COOLING TOWERS**: Changes incorporated in our proven cooling tower design, consisted primarily of:
- New design drift eliminators to produce the same effective drift elimination, at the same time reducing the static pressure drop, making it possible to utilize greater tower air capacity with the same horsepower.
- Improved air intake louvres, permitting less resistance to air intake but still consistent with sound structural principles.
- Improved panel design resulting in even tighter wall construction with a saving in cost.

**MUFFLERS**: The new Series "D" Muffler System, which incorporates new revolutionary features such as, starting sound attenuation at its source in the immediate proximity of the engine tending to produce better engine muffling, consistent with minimum exhaust pressure.

**PULSATION DAMPENERS**: Maintenance of the preeminent position earned by Fluor in development of the Fluor Pulsation Damper was assured by two major damper developments during the year. Fluor now offers a modified damper, which will, in many instances, eliminate pulsation sufficiently to produce substantial quiescence in plant vibration. The second major damper development, which should prove highly beneficial in new plant design, incorporates dampering principles in header piping systems.

**New Plant for Manufacturing Division**

To increase efficiency in job handling, Los Angeles manufacturing departments were housed in a single, modern building designed to permit an uninterrupted flow of work from group to group. Included are Manufacturing office and drafting personnel, Manufacturing Sales Engineering, and Manufacturing Cost Accounting.

**New Pipe Fabrication Facilities at Los Angeles**

A pipe fabrication shop, containing the latest equipment, was constructed to supply West Coast demands. A pipe bending machine, with a capacity for cold bends of 3" to 8" diameter pipe inclusive, was installed. Storage facilities for approximately 400 tons of pipe and some 100 tons of welding fittings are included in this installation.

**Pumps: Foreseen in the Competitive Cycle**

At the Paola plant, Construction and Manufacturing facilities were separated. The Construction Department now occupies new buildings constructed during the year.

To facilitate the manufacture of Fluor products at Paola, a new steel warehouse, containing 2,000 square feet of floor area was constructed for storage of small fittings, while existing facilities were expanded to permit fabrication of vessels up to 10' diameter and shell thickness of 3/4".

Installations were completed for oxygen and acetylene bulk storage and distribution systems in Plate Shop, Structural and Pipe Fabrication Shops to cut oxygen and acetylene costs and to eliminate maintenance and handling costs for individual oxygen and acetylene equipment.

Plans have been completed to expand hot pipe bending facilities to handle hot bends up to and including 24" pipe.

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**A Five Year Record of Fluor Product Sales**

<table>
<thead>
<tr>
<th>Year</th>
<th>Cooling Towers</th>
<th>Bubble Caps</th>
<th>Coils</th>
<th>Fin-Fans</th>
<th>Laboratory Service</th>
<th>Pulsation Dampeners</th>
<th>Mufflers</th>
<th>Gas Cleaners</th>
<th>Fabrication Work</th>
</tr>
</thead>
<tbody>
<tr>
<td>1940</td>
<td>1,813,238.70</td>
<td>8,435.74</td>
<td>101,313.06</td>
<td>206,628.01</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>1941</td>
<td>1,734,935.09</td>
<td>11,013.82</td>
<td>1,876.55</td>
<td>236,683.47</td>
<td></td>
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</tr>
<tr>
<td>1942</td>
<td>2,272,605.37</td>
<td>27,497.44</td>
<td>371,174.93</td>
<td>622,792.73</td>
<td></td>
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</tr>
<tr>
<td>1943</td>
<td>433,708.88</td>
<td>300,013.33</td>
<td>1,523,014.02</td>
<td>889,627.00</td>
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<tr>
<td>1944</td>
<td>1,017,743.20</td>
<td>63,002.90</td>
<td>1,410,431.06</td>
<td>1,309,732.83</td>
<td>8,358.18</td>
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<tr>
<td>1945</td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

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Page Eleven
Fluor's engineering and construction sales set a new high record during 1949. The year was closed with a backlog of new orders nearly as great as the one with which we entered the year.

For this achievement to be fully grasped, it should be explained that the volume of new engineering and construction contracts, placed during the past two years by the industries which we serve, has been materially reduced from the yearly volume during the previous six-year period, and that during the past eight years, the number of companies competing for this type of work has approximately doubled. In consequence, the volume of business available to each of the engineering and construction companies in our line of work has been greatly reduced, resulting in extremely keen competition with ensuant reduction in both prices and gross earnings.

Fluor's growth of sales under such adverse conditions is due, in part, to its excellent record and, in part, to its having increased its capacity in both extent and scope of engineering and construction work. Additions of capable and nationally known engineers to our staff have materially strengthened our engineering organization, with the result that we have a fully complemented engineering and construction force second to none in the industry.

In January, 1949, all engineering and construction activities were streamlined into a single division. Included in this new Engineering and Construction Division, as reorganized, are the Los Angeles Engineering Department; the Mid-Continent Gas-Gasoline Department, with headquarters at Houston, Texas; and the far-flung activities of the Construction Department.

Both the Los Angeles Engineering Department and the Houston Gas-Gasoline Department are now complete within themselves, possessing process sections staffed by engineers who are recognized authorities in their types of process; estimating sections; project engineering sections; material sections; mechanical engineering sections, and drafting sections.

The new system eliminates any overlapping of activities in the various departments and sections required to perform a complete process, engineering and construction contract, thus permitting Fluor to do a better job at lowest cost—a requisite to survival under the present extremely competitive conditions within the construction industry serving the Oil, Gas, Chemical, and allied industries.

**Fluor's Major Projects**

**Completed in Fiscal Year 1949**

- Re-absorption plant
- Union Oil Company—Wilmington, Calif.
- Gasoline recovery plant and pressure maintenance station
- Humble Oil & Refining Company—Pickwick, Texas
- Duo-Sol plant
- Union Oil Company—Oklahoma City, Okla.
- H.S. removal plant
- R. S. Lytle—Cudahy, Calif.
- Compressor plant addition
- Shell Oil Company—Wilmington, Calif.
- Chemical plant additions
- American Smelting & Refining Corp.—Trona, Calif.
- Off-site facilities
- Standard Oil Company—Whiting, Indiana
- Wax plant facilities and auxiliaries
- Shell Oil Company—Deer Park, Texas
- Oil refinery with complete facilities
- Carter Oil Company—Billings, Montana
- Gasoline plant & gas treating plant
- El Paso Natural Gas Company—Mehlhorn Field, Texas
- Gas treating plant
- El Paso Natural Gas Company—McCoy Field, Texas
- Glycol dehydration plant
- Humble Oil & Refining Company—Anahuac, Texas
- Compressor station additions
- Northern Natural Gas Company—Palmyra, Nebraska
- Northern Natural Gas Company—Clifton, Kansas
- Gas lift facilities
- Ohio Oil Company—South Coles Lever, California
- Compressor station additions
- Panhandle Eastern Pipe Line Company—Howard, Texas
- Off-site facilities & poly plant
- Shell Oil Company—Montreal, Quebec, Canada
- Absorption and H.S. removal plant and compressor plant
- Richfield Oil Corporation—Parrish, Texas
- Compressor station
- Atlantic Steamship Corporation—Galveston, Texas
- Liquid petroleum gas facilities
- Shell Chemical Corporation—Houston, Texas

**Running into Fiscal Year 1950**

- Compressor station addition
- Humble Oil & Refining Company—Tomball, Texas
- Diesel reverberatory plant
- American Smelting & Refining Co.—Levi, Colo.
- Power plant
- Kansas Power & Light Company—Hutchison, Kansas
- Addition to ethyl alcohol plant
- Shell Chemical Corporation—Montreal, Quebec, Canada
- Off-site facilities & poly plant
- Shell Oil Company—Montreal, Quebec, Canada
- Propane recovery plant
- Compressor station additions
- Shell Oil Company—Springfield, Texas
- Gasoline plant
- Shell Oil Company—Providence City, Texas
- Desalting units
- Sinclair Oil Company—East Chicago, Ind.
- Absorption and compressor plant
- Richfield Oil Corporation—Cajon, California
- Refinery processing unit
- General Petroleum Corp.—Torrance, Calif.
- Gasoline and compressor plant
- Cities Service Corp.—Chico, Texas
The year 1949 was a year of achievement for Fluor's Research and Development Department. Organized in 1941, this department had so grown in the scope and extent of its activities that it became desirable in 1949 to reorganize it into two separate sections—Research and Service—and to subdivide these sections in turn. The Research Section was subdivided into three groups: Chemical Engineering, Chemistry, and Physical Engineering. The Service Section was subdivided into two activities: Chemical Engineering and Physical Engineering.

**Research Section**

- Recovery of carbon dioxide as dry ice from sour natural gas.
- Process design for removal of hydrogen sulfide, and carbon dioxide from natural gas.
- Development of improved mathematical method for rating cooling towers.
- Effects of pulsative flow on pressure drop in gas pipe lines.
- Establishing fundamental causes of metering errors involved in pulsative flow systems.
- Laboratory and field investigations of corrosion in amine gas treating plants.
- Equilibrium and heat data for glycol-amine treating plants.
- Start up and test of amine plants for purification of natural gas.
- Design data and basis for hydrogen sulfide reabsorption plants.
- Study of catalytic cracker dust problems.
- Methods for rating of extended surface heat exchangers.
- Field studies on gas cleaner performance in glycol-amine gas treating plants.
- 21 compressor plant pulsation surveys with Fluor designed mobile laboratory.
- Elimination of serious vibration in suspension bridge river crossing of large high pressure transmission lines.

**Service Section**

- Working in their respective fields, the specialists of both sections made numerous valuable surveys, studies and experiments which enabled Fluor to successfully solve specific customer problems and to enlarge its own sphere of potential customer service.
The Sales Department of the Fluor Corporation, like that of many other companies, came into the post-war period with greatly reduced personnel. We recognized that with the advent of a buyer's market, an aggressive and comprehensive sales force was imperative.

As far back as two years ago Fluor's Sales Department anticipated the end of the boom and its effect on the company's products and services. A survey, executed at that time, confirmed our belief that the tremendous post-war oil refinery expansion was near its end. This made it obvious that Fluor must expand its operations into other fields of industry in order to assure itself a backlog of business that would occupy its facilities and highly specialized personnel.

Our survey further showed that large expenditures in capital investments for the oil industry would be made outside the United States, but these expenditures would, in most cases, be made in foreign currencies. The association made with Head Wrightson in London, we feel, will permit Fluor to participate in some of these foreign operations without becoming too involved in foreign currency exchange problems.

During the last year the great increase in potential business in the Province of Alberta, Canada, resulted in our establishment of sales representation in this territory. Eastern Canada, which includes the larger oil refinery areas, is being covered adequately by an expanded group of sales offices in the Eastern part of the United States.

The Sales Department recognizes the challenge presented by the year 1950. We are confident of receiving due consideration on practically all of the refinery, gas, and natural gasoline plants that will be available for construction during the year, but we recognize that the number of such jobs in 1950 will not support the Fluor Organization we have today. The Sales Department is, therefore, actively seeking process work in other fields. The new processes we have gained for sulfur production and SO₂ recovery will open up many new prospects for work in the chemical fields during the coming year. We are also increasing our efforts in the sale of central station electrical power facilities for public utilities.

In the sale of Fluor manufactured products, the success of the Fluor-pioneered Fin-Fan units has been phenomenal; however, this has resulted in a reduction in the use of cooling towers. To offset this, greater efforts will be expended during 1950 to sell our cooling towers in industries where they have not previously been well known. Pulsation dampening work has continued and new developments will allow wider use of these units. We also intend to concentrate in the selling of the new type of Fluor Series "D" Muffler System which is now ready for an aggressive sales campaign. With the establishment of pipe fabricating facilities in Los Angeles, we look forward to a greater increase in sales volume for pre-fabricated pipe.

The Sales Department recognizes that the securing of new business for Fluor on a satisfactory profit basis will present a serious challenge in the coming year, but with the expansion of our potential sources of such business, we look forward with confidence to a successful 1950.
Employee Ownership

Unlike many companies, the Fluor Corporation is entirely owned by its employees. 32.4 per cent of Floor stock outstanding is held in two Employees’ Benefit Trust Funds while the remaining shares are individually owned by 357 employees or members of their families.

This widespread Floor ownership by its employees signifies a definite interest in the company’s welfare, insures internal stability, and provides an incentive for continued company expansion and development. An employee progresses with Fluor because after six months of service he automatically becomes a participant in Trust Fund No. 2, where he is eligible to share in the company’s annual profits. After two years with Floor he is further benefited by gaining membership in Trust Fund No. 1 which makes him eligible for share in the company’s profits contributed to both Trust Funds.

Floor’s contributions to these Trust Funds represent 20 per cent of net profit before taxes. In 1949 this amounted to $454,573. To those participating in Trust Fund No. 2 this meant an increase to their account of 4.85 per cent of their annual base pay, while employees participating in both Trust Funds realized an increase in their accounts of 11.45 per cent of their annual base pay.

Annual contributions made by Fluor into both Trust Funds at the ending of each fiscal year are invested in Floor stock, government bonds and other high-grade securities. Earnings are pro rata to the accounts of the individual membership. All contributions plus accrued earnings of the Trust Funds are held for payment to participating members upon termination of service.

These two Trust Funds established by Fluor for its employees are unique, so far as we have been able to ascertain. Many companies sell stock to employees on withholding plans, and a few such companies are employee-owned. At Floor, in consideration of service alone, employees by virtue of their participation in the Trust Funds hold group ownership of one-third of the Company’s stock.

Relations with our employees were excellent throughout the year. Fluor workers everywhere carried on their work with the same spirit of cooperation that has characterized their efforts in the past, a factor which contributed greatly to the results from the year’s operations.

One big reason Fluor has been able to consistently keep relations with its employees on the highest plane is that the company since it was founded has always considered employees its most important asset. This has resulted in our men and women realizing that they are all integral parts of the business—not just cogs in a machine.

Other reasons are: Fluor’s policy of paying wages and salaries at least equal to those paid by comparable companies in the areas where we do business; providing liberal benefits; giving serious attention to the health and safety of our employees; and encouraging employee viewpoints in order to make Fluor a better place to work in all respects.

Developments in the field of employee relations at Floor during 1949 consisted of the following:

**INDUSTRIAL RELATIONS DEPARTMENT FORMED**

Although Fluor has had a personnel section for many years, an Industrial Relations Department combining personnel, training and safety, and employee communications, was formed to give increased attention to employee matters.

**VACATION POLICY LIBERIALIZED**

A new vacation policy for monthly-salaried employees was instituted. This policy provides two weeks’ vacation after one year’s service; three weeks after 15 years; two extra weeks the 25th year; and three extra weeks the 30th year and every fifth year thereafter.

"The new vacation policy, with one modification, and the new sick leave policy in its entirety were extended to hourly-paid employees in the Los Angeles mill and Paola shop during the year.

NEW SICK LEAVE POLICY

Sick leave benefits for monthly-salaried employees were increased by virtue of a new policy developed during the year. Employees now earn five days’ sick leave after six months’ service; 10 days a year after the first year; and 15 days a year after five years. Sick leave can be accumulated up to 130 days.

**EMPLOYEE COMMUNICATIONS**

The company continued to publish its employee magazine, Fluor-O-Scope, and added the following communication devices: new glass-covered bulletin boards at the Los Angeles plant, Fluor-O-Gram—a multigraphed letter to announce "hot" company news to all employees, and an improved company notice system.

**FLUOR SAFETY AWARD**

The Fluor Corporation, which has received many awards in the past for its consistently good safety record, added another citation to the trophy shelf in 1949: second place for the past five years in the Associated General Contractors of America, Inc., Accident Prevention Contest.

**ESTABLISHED PROGRAMS CONTINUED**

Fluor continued to sponsor and encourage athletic and social events, annual Christmas parties and the awarding of Service Pins.
Balance Sheet
THE FLUOR CORPORATION, LTD.
October 31, 1949

Assets:

CURRENT ASSETS
Cash:
Demand deposits $954,290.10
Office and branch cash funds 1,500.00 $955,890.10

Accounts receivable:
Trade accounts $3,973,157.31
Less reserve 5,000.00 $3,972,157.31

Employees—officers and sundry 28,591.27 4,000,748.58

Inventories—at lower of cost or replacement market:
Raw materials $1,357,255.54
Work in process 1,575,655.51
Finished products 52,447.38 2,985,358.43

Cash surrender value of life insurance 12,935.17

Total current assets $7,954,832.28

OTHER ASSETS
Affiliated corporation—investment and advances $9,480.71
Deposits—inurance, etc. 41,705.00 $51,185.71

PROPERTY, PLANT AND EQUIPMENT—Note
Land $134,387.19
Buildings 738,861.54
Machinery and equipment 1,619,920.45
Office furniture, fixtures and equipment 252,771.08
Construction in process 21,128.26

Less reserve for depreciation 1,062,095.68 1,570,585.65 1,704,972.84

Inventories—at lower of cost or replacement market:
Raw materials $1,357,255.54
Work in process 1,575,655.51
Finished products 52,447.38 2,985,358.43

Cash surrender value of life insurance 12,935.17

Total other assets $9,789,135.20

DEFERRED CHARGES
Insurance, taxes, etc. 50,884.83 $9,789,135.20

We have examined the balance sheet of THE FLUOR CORPORATION, LTD. as of October 31, 1949 and the statement of net income for the year then ended, have reviewed the system of internal control and the accounting procedures of the Company and, without making a detailed audit of the transactions, have examined or tested accounting records of the Company and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards and included all procedures which we considered necessary in the circumstances.

In our opinion, the accompanying financial statements present fairly the position of THE FLUOR CORPORATION, LTD. at October 31, 1949 and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

The Board of Directors
The Fluor Corporation, Ltd.
Los Angeles, California

We have examined the balance sheet of THE FLUOR CORPORATION, LTD. as of October 31, 1949 and the statement of net income for the year then ended, have reviewed the system of internal control and the accounting procedures of the Company and, without making a detailed audit of the transactions, have examined or tested accounting records of the Company and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards and included all procedures which we considered necessary in the circumstances.

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DICKINSON & EAGLE
Certified Public Accountants

December 21, 1949

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Board of Directors
Shelley E. Meserve, Chairman
D. W. Darnell
J. S. Fluor, Jr.
W. E. Dunn
J. R. Fluor
F. E. Fischer
J. P. Whiteman
W. P. Downey
F. M. Stephens

Establishes broad basic policies.
Handles major financial matters.
Declares dividends.
Selects officers and sets their salaries.
Meets second Monday of every month.

Executive Committee
D. W. Darnell, Chairman
Shelley E. Meserve
J. S. Fluor, Jr.
W. E. Dunn
J. R. Fluor
F. E. Fischer
J. F. Gardner

Serves as advisory board to the President.
Plans overall coordination of Company policy.
Assists and advises the President in regard to general problems of management.
Reports to the President on the Company's operations.
Meets every Tuesday morning.

Technical Coordinating Committee
J. S. Fluor, Jr., Chairman
J. C. Bechtold
L. Van Horn
J. P. Knuebuhl
F. M. Stephens

Gathers for free exchange of information and ideas between departments represented.
Passes on all technical articles prepared by employees.
Meets semi-monthly.

Officers
Shelley E. Meserve, Chairman of the Board
D. W. Darnell, President
J. S. Fluor, Jr., Executive Vice President
W. E. Dunn, Vice President and General Manager
J. R. Fluor, Vice President and General Manager
J. P. Whiteman, Vice President and Construction Division Director
F. E. Fischer, Secretary and Treasurer
P. C. Shielley, Assistant Secretary

Reports to the President on the Company's operations.
Gathers for free exchange of information and ideas between departments represented.
Investigates sale or purchase of company property.
Receives requisitions for additional space or improvements of any kind to existing facilities.
Meets semi-monthly.

Committee on Property and Permanent Improvements
F. E. Fischer, Chairman
J. R. Fluor
R. L. Merrick

Receives requisitions for additional space or improvements of any kind to existing facilities.
Investigates sale or purchase of company property.
Meets semi-monthly.

Auditors
Dickinson & Eagle, Los Angeles

The Annual Shareholders' meeting is held on the second Monday in January at 10 a.m. at the Company's Main Office in Los Angeles.

Fluor Roll of Honor for Service

Fluor is proud of the 101 employees who have received Service Pin awards for periods of service ranging from 10 to 25 years. Long service is a feeling of justification in the sincere interest which it takes in the welfare and well-being of each and every member of its personnel. An additional 286 employees have received five-year pins, and many of the remaining 2,056 Fluor men and women will soon be eligible for that award.

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