Annual Report for the fiscal year ended October 31

1953

CONTENTS
Consolidated income statement 4
Business at high level 5
Shareholder relations 7
Engineering and construction 7
Foreign work 7
Company products 8
Research and development 9
Flour employees 9
New facilities 10
Organizational changes 10
Future outlook 11
Consolidated balance sheet 12
Building organizational strength 16
Offices and plants 18
Comparative Consolidated Statement of Income
and Retained Earnings for the years ended October 31

The Fluor Corporation, Ltd., and Subsidiaries

The Corporation received from

<table>
<thead>
<tr>
<th></th>
<th>1953</th>
<th>1952</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Sales</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Construction revenue—including unbilled charges on uncompleted construction contracts</td>
<td>$92,702,304</td>
<td>$72,143,015</td>
</tr>
<tr>
<td>Product sales</td>
<td>12,980,030</td>
<td>8,548,897</td>
</tr>
<tr>
<td>Royalties, discounts and other</td>
<td>218,461</td>
<td>214,642</td>
</tr>
<tr>
<td><strong>Total sales and revenue</strong></td>
<td><strong>$105,901,695</strong></td>
<td><strong>$80,906,464</strong></td>
</tr>
</tbody>
</table>

Which was used for

<table>
<thead>
<tr>
<th></th>
<th>1953</th>
<th>1952</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wages and salaries</td>
<td>$37,528,350</td>
<td>$29,516,181</td>
</tr>
<tr>
<td>Materials and services purchased from others</td>
<td>62,976,190</td>
<td>45,969,769</td>
</tr>
<tr>
<td>Depreciation, maintenance and repairs on plant and equipment</td>
<td>1,153,444</td>
<td>775,961</td>
</tr>
<tr>
<td>Contributions to employees' benefit trust funds</td>
<td>690,879</td>
<td>814,352</td>
</tr>
<tr>
<td>Interest on indebtedness</td>
<td>129,216</td>
<td>108,376</td>
</tr>
<tr>
<td>State, local and miscellaneous taxes</td>
<td>272,350</td>
<td>155,670</td>
</tr>
<tr>
<td><strong>Total costs and expenses</strong></td>
<td><strong>$101,850,429</strong></td>
<td><strong>$77,339,409</strong></td>
</tr>
</tbody>
</table>

This left income from operations before income taxes and minority interest of $4,051,266 $3,567,055

The Corporation’s income taxes were

<table>
<thead>
<tr>
<th></th>
<th>1953</th>
<th>1952</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal income taxes</td>
<td>$1,450,500</td>
<td>$1,764,300</td>
</tr>
<tr>
<td>Canadian and Saudi-Arabian income taxes</td>
<td>498,719</td>
<td>61,472</td>
</tr>
<tr>
<td><strong>Total income taxes</strong></td>
<td>$1,949,219</td>
<td>$1,825,772</td>
</tr>
</tbody>
</table>

Retained earnings at the beginning of the year were . . . . 6,575,771 $5,254,488

Retained earnings at the end of the year were . . . . $8,035,599 $6,575,771

The Auditors' Certification and Notes to Financial Statements, pages 14-15, should be read in conjunction with this Consolidated Statement of Income and Retained Earnings.

To Our Employees and Shareholders:

The fiscal year which ended October 31, 1953, not only saw your Corporation surpass $100,000,000 in total billings for the first time in the 63-year life of the Company, but also brought expansion in new areas which give Fluor true international opportunities for the years ahead.

Looking to the rapidly developing foreign market, new offices were opened in Toronto, Ontario, and Lima, Peru. Both offices are the result of long-range planning designed to assist Canadian and South American industrialists in plant expansion programs that hold considerable promise in the world economy.

The Toronto office is headquarters of The Fluor Corporation of Canada, Ltd., and will work closely with H.G. Acres & Company, Ltd., a new Fluor affiliate. The Acres Company, which has a staff of 300 engineers, draftsmen, and field employees, at Niagara Falls, Ontario, will handle future engineering work for Fluor of Canada.

A new district sales office was also opened in Philadelphia, Pa., to serve the rapidly growing Delaware River Valley industrial area.

With these new offices, we are in a much better position to keep pace with petroleum, power, and chemical industries in both hemispheres, aided by previously established sales representatives in London, Paris, Calgary, and Beirut, Lebanon, as well as twelve principal cities in the United States.

Business at High Level

Continued growth and stability of company enterprises are reflected in 1953 completed business which amounted to $105,901,695 compared to $80,906,464 last year, and $52,156,442 in 1951.

Net income after taxes came to $2,059,828, or $4.12 per share on the 500,000 shares of common stock, as against $1,741,283, or $4.35 per share on the 400,000 shares outstanding in 1952. This compares with the consolidated net profit of $1,137,081, or $2.84 per share, reported in 1951.

Taxes on income this year totalled $1,949,219, compared to $1,855,772 in 1952.

Fluor's Gross Income came from:

<table>
<thead>
<tr>
<th>Product</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Petroleum installations</td>
<td>60.19</td>
</tr>
<tr>
<td>Manufactured products</td>
<td>12.38</td>
</tr>
<tr>
<td>Power plants</td>
<td>6.01</td>
</tr>
<tr>
<td>Chemical plants</td>
<td>2.51</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>2.41</td>
</tr>
</tbody>
</table>
Total Sales

TEN-YEAR COMPARISON: 1944-1953

While these figures reflect a slight downward trend in percentage of earnings as against the increased billings, it will be noted that the greatest impact on profits resulted from the higher costs of operation, heavy taxes, and the greatly increased payroll as illustrated on page 5. The payroll increase is particularly noteworthy as wages and salaries paid to employees, including contributions to trust funds, totalled $38,219,239, compared to $30,370,533 in '52.

Shareholder Relations

The growing list of company shareholders was augmented during the year by nearly 1000, bringing the total number of shareholders to 2147 as of October 31, an increase of 76 per cent over the 1203 of last year. Dividends paid during 1953 totalled $600,000, or $1.20 a share, compared to $420,000, or $1.05 per share, in 1952. Again, this is indicative of consistent growth as 1951 dividends amounted to only $330,000, or 80 cents per share.

Engineering and Construction

Sales continued to keep pace with completed engineering and construction work during the year with the result that unfinished business at the close of 1953 amounted to $88,000,000. For the first time, engineering and construction work exceeded $92,000,000, as against $72,143,015 in 1952. Petroleum construction and services constituted 60 per cent of the total volume, while the chemical and electric power fields accounted for 12 per cent of the year's business as indicated by the chart on page 5.

Aside from the foreign work referred to in the next column, the Industrial and Governmental Projects Division performed additional architect-engineering services for the Idaho Operations and Santa Fe Operations offices of the Atomic Energy Commission; the U. S. Navy in California; the Corps of Engineers in Alaska and Utah; and for the U. S. Air Force in Tennessee. U. S. government work completed during the year amounted to 14 per cent of the billings.

Domestic construction enjoyed a banner year with some 30 installations completed in a dozen states, and a score more launched for completion during 1954.

Foreign Work

Launched in 1948 when Fluor first entered the foreign field with work for the Arabian American Oil Company in Saudi Arabia, the Foreign Construction Division has expanded steadily as indicated by the chart (page 10) setting forth the number of employees at job sites overseas. These statistics include men working on the oil handling facilities, industrial and housing contracts still under way for Aramco, as well as the employees on the Corps of Engineers, U. S. Army, project.

Foreign activities of the Corporation have also included work in Colombia, South America, where construction was nearing completion at the close of the year on an absorption plant and crude stripping facil-
ities for the Colombian Petroleum Company in the Barco Concession. In the Virgin Islands, we have two high schools in progress for the U.S. Department of the Interior, as well as multiple housing projects under way for the Virgin Islands Housing and Redevelopment Authority at St. Croix. In addition, field work will be started early in '54 on an oil refinery at San Juan, P. R.

In the Dominion of Canada, Fluor is engaged on major projects at Regina, Saskatchewan, and Vancouver, B. C.

Company Products

Surpassing all previous records, total product sales mounted to $12,980,930 compared to $8,548,807 in 1952. As in the past, cooling tower sales led the Division, and included a million dollar installation for the Department of Water and Power of the City of Los Angeles. Plans for further expansion will ultimately make it the largest cooling tower installation in the world.

To supply the parts for increased cooling tower business, the Los Angeles mill processed a record volume of lumber—13,350,000 board feet—or 445 carloads. This is enough lumber to build a city of 2500 homes.

The metal products department added new equipment and personnel at both the Paola (Kans.) and Los Angeles plants. The Paola plant doubled its employment and expanded its capacity rapidly to keep abreast of orders for fabricated piping, pulsation dampeners, gas cleaners, mufflers and Fin-Fan heat exchangers. Improvements in the Los Angeles shop were attributable mainly to sales of fabricated piping and pulsation dampeners.

Fluor products are now being extensively used throughout North, South and Central America, as well as in Asia and the Middle East, as well as in England, Sweden, and Holland.

Research and Development

During the year, research and development on products and processes were expanded in scope. The addition of a new modern laboratory and pilot plant facilities will intensify this phase of our business.

We are constantly seeking to improve our products and diversify our present lines. Particular attention has been given to developments in air cooled extended surface heat exchangers and pulsation dampeners, and to studies of new and novel methods of evaporative water cooling. Development activities have included the consummation of exploitation agreements covering new processes in the fields of petroleum refining and petrochemicals.

Our research staff is well qualified by training and experience to make contributions to the rapidly expanding natural gas, chemical and petrochemical industries. This is accomplished by "seed" research for the improvement of processes through cooperative work with customer companies in the creation of new plants and products.

Fluor Employees

In our many widely scattered locations, Fluor reached a peak of 7300 employees compared to the 6700 reported last year. In addition to the 1700 at the home plant, other work areas have the following number: Mid-Continent Division, Houston, 189; Paola (Kans.) shops, 215; U. S. and foreign sales offices, 191; Saudi Arabia, including Middle-East Fluor, S. A., 191; other subsidiaries, 279; construction field workers, including cooling tower erectors, 4978.

The above totals do not reflect the national field workers employed by Fluor and Fluor subcontracts at foreign jobsites, which reached a peak of 4700 as shown in the chart on page 10. We have made every effort to use as many local employees as possible wherever we operate.

Hundreds of our employees have been with the company for many years. This is reflected by the 1526 who are beneficiaries in Trust Fund No. 1. As of the close of the year, an additional 1612, or a total of 3138 employees, were participants in Trust Fund No. 2.
New Facilities
To alleviate crowded quarters in Los Angeles, arrange­ments were completed for purchase of a new research and development building located in the Whittier Area, only 20 minutes by car from the main plant. Situated on a five-acre site, the building has 35,000 square feet of floor space and will accommodate the Research and Development Division now housed at the home plant as well as the Products Division which is temporarily located in downtown Los Angeles. The Whittier property was purchased by the two Employ­ees’ Benefit Trust Funds as an investment, and the par­ent company has negotiated a long term lease to use the facilities.

After obtaining the new research facilities, the previ­ously announced $600,000 research structure was read­ily redesigned into a general office building which will provide facilities for 300 people, and will fulfill a need of long standing as 25 per cent of the employees at our home plant are still housed in temporary structures.

Organizational Changes
During the year we considered Fluor very fortunate to be able to acquire the services of Jan Oostermeyer as a new member of the Board of Directors. Mr. Oos­termeyer served as president of the Shell Chemical Corporation until June, 1953.

Domestic sales efforts in the Mid-Continent area were strengthened by the appointment of a vice-presi­dent and director of sales for the territory served by that Division, and improved service for product cus­

tomers was secured through the assignment of field service engineers to both the Houston and Tulsa dis­trict offices. A new administrator was also appointed to coordinate the activities of all of the foreign sub­sidiaries.

Improvements in organizational methods are con­stantly being considered as we survey the departmental functions in all plants and offices. To this end, a number of operating manuals have been developed covering the accounting, engineering, construction, and manage­ment phases of our activities, with others planned to follow during the coming year. A new development program has also been undertaken through classroom offerings to management training and the orientation of new drafting-engineering-construction personnel.

Future Outlook
Prospects for new business during 1954 appear excel­lent, and there is every indication that billings will be substantial, perhaps equal to or even greater than the record total we enjoyed in 1953. This optimistic view­point is based on receipt of numerous new contracts from petroleum, chemical, and power companies dur­ing the first month of the new fiscal year.

Although the world political scene is still unsettled, we look for the parent company as well as our subsidi­aries to continue to expand in their respective areas of operation. We have been endeavoring to confine our efforts in the foreign field to countries which have a stable government.

Looking back over the accomplishments of the past fiscal year, we want to again express our gratitude to all employees and shareholders for their diligent work and continued interest in the many activities of the Corporation. It is only by and through such united effort that we will continue to progress. We earnestly solicit your continued support as we begin another year together.

Submitted for the Board of Directors,

Chairman, Board of Directors
President

Thermofor catalytic cracking unit
| COMPARATIVE CONSOLIDATED BALANCE SHEET | October 31, 1953 | October 31, 1952 |
|----------------------------------------|----------------|----------------|----------------|
| **CURRENT ASSETS**                     |                |                |
| Cash                                  | $2,180,755     | $1,484,698     |
| Accounts receivable                   | 9,653,963      | 8,296,255      |
| Federal income tax refunds receivable | 144,943        | 140,725        |
| Unbilled charges on uncompleted contracts | 6,616,004     | 4,383,710      |
| Inventories                           | 3,158,444      | 2,765,690      |
| Prepaid insurance, taxes and deposits  | 230,000        | 84,183         |
| **Total current assets**              | $22,011,117    | $17,084,221    |
| **FUNDS RESTRICTED TO GOVERNMENT CONTRACTS** | 71,732        | 483,829        |
| **PROPERTY, PLANT AND EQUIPMENT—at cost** |              |                |
| Land—net                              | 140,038        | 130,994        |
| Buildings and land improvements—net   | 1,983,064      | 1,981,984      |
| Machinery and equipment—net           | 2,879,874      | 1,798,000      |
| **Other Assets**                      | $4,682,976     | $3,290,771     |
| Goodwill                              | 450,000        | —              |
| Patents, cash value of life insurance and sundry | 95,961     | 70,052         |
| **Total**                             | $5,485,961     | $70,052        |
| **Capital**                           | **$22,516,078** | **$17,154,273** |

The Fluor Corporation, Ltd. and Subsidiaries

The notes to financial statements on the following page are an integral part of this comparative consolidated balance sheet.
NOTES TO FINANCIAL STATEMENTS Year ended October 31, 1953

NOTE A—Principles of consolidation

The consolidated balance sheet of the company at October 31, 1953 includes the accounts of the following subsidiaries: Floor Maintenance, Inc., Middle-East, Inc., Middle-East Floor, S.A., The Fluor Corporation of Canada, Ltd., Fluor Peruana, S.A. and H. G. Acres & Company, Limited. All the subsidiaries are wholly-owned except H. G. Acres & Company, Limited which is 60% owned by The Fluor Corporation of Canada, Ltd.

The consolidated statement of income and retained earnings for the years ended October 31, 1953 and 1952 includes the operations of these subsidiaries for the respective periods of ownership by the company.

All intercompany accounts and transactions have been eliminated in consolidation.

The excess of the company's equity in the net assets of the subsidiaries over its investment therein has been included in the retained earnings in the consolidated balance sheet.

NOTE B—Accounting treatment with respect to constructive contracts

In general, the company follows the policy of recognizing income on construction contracts in the proportion that 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—Funds restricted to government contracts

Represents unexpended balance of funds advanced by a government agency for use only on specific contracts.

NOTE D—Federal income tax returns

Federal income tax returns of the company have been examined for all years to and including the year ended October 31, 1950. Federal income tax returns of the company have been examined for the years ended October 31, 1953 and 1952 but it is not known whether any refunds to the government which may be subject to the Renegotiation Acts will be requested. It is the opinion of the management that no provision for renegotiation is, at present, required.

NOTE E—Noncurrent liability

The company negotiated a 10 year, 4% unsecured loan in the amount of $3,000,000 with two insurance companies. The note agreements, dated October 12, 1953, will be discharged by semi-annual payments of $150,000, plus interest, commencing March 1, 1954 and extending to September 1, 1963 subject to contingent and optional amortization provisions. The company is also required to maintain a certain working capital and meet other financial requirements.

The company is required to maintain net current assets of $5,000,000 or 20% of the outstanding notes whichever is greater. Also the current assets must not be less than 150% of the current liabilities.

Further, the company is prohibited from paying cash dividends aggregating in excess of the net earnings of the company (as defined) after October 31, 1952.

Under these restrictions the company is prohibited from paying cash dividends in excess of approximately $672,000 at October 31, 1953.

NOTE G—Contingent liability

The California State Board of Equalization in 1951 filed a Notice of Assessment in the amount of $96,195 for sales tax on certain products manufactured in California and shipped to customers outside the State. This assessment was for a 21 year period ended December 31, 1950. The company paid the assessment under protest in September 1953. A claim for refund will be filed. The management believes the company is not liable for such tax and no provision has been made for any additional liability which may have been incurred subsequent to December 31, 1950. An amendment to the Sales and Use Tax Law effective September 9, 1953 is believed to eliminate the provision under which the assessment was levied but such determination has not been made as to its retroactivity.

NOTE H—Renegotiation

The company has made sales under certain contracts with the government which may be subject to the Renegotiation Acts of 1940 and 1951 and amendments thereto. Such sales for the years ended October 31, 1951 and 1952 approximated $9,500,000 and $15,700,000 respectively. Renegotiable sales for the year ended October 31, 1953, are estimated at $14,500,000. Renegotiation proceedings are now in progress for 1951 and 1952 but it is not known whether any refunds to the government will be requested. It is the opinion of the management that no provision for renegotiation is, at present, required.

NOTE I—Sales of shares of capital stock

The company has made a tentative agreement for the sale of 100,000 shares of capital stock in order to provide additional working capital. If this sale is consummated the company will realize approximately $1,500,000.
BUILDING ORGANIZATIONAL STRENGTH THROUGH EMPLOYEES

Toni Colucci, Sara Eldridge (seated) and Carl Williatus check bowling scores.

Shamal is circulated to employees in Arabia.

developments while a weekly newspaper known as sales and engineering personnel informed of company publications keep chures upon the completion of major construction brochures relating to company products, plus several brochures upon the completion of major construction projects. Regular newsletter type publications keep sales and engineering personnel informed of company developments while a weekly newspaper known as Shamal is circulated to employees in Arabia.

PUBLICATIONS

RECREATION

Cricket of high company morale is the participation

by many employees in the athletic and recrea-
tional programs conducted throughout the year. Company teams won two softball championships, while individual awards were received by employees in bowling, tennis, basketball, and golf. Camera and bridge clubs meet regularly with members competing in various contests and tournaments. Similar activities are also maintained at job sites in Saudi Arabia under the supervision of a regular recreational director.

CREDIT UNION

Organization of a Credit Union during May added an-
other employee-operated function that proved to be a most worthwhile and beneficial undertaking. Membership at the home plant totalled 625 as of October 31.

SAFETY PROGRAM

Safety honors received during 1953 included the Merit Award of the Associated General Contractors of America, Inc., for accident prevention on the basis of the company's record during the past 10-year period, and the National Constructors Association Award for reducing its accident frequency by 50 per cent. Fluor's AGCA record was cited as third best in the nation, representing 57,030,418 man hours in the field on heavy construction with a frequency of 19.01 and a severity of 1.169. The national average for frequency was announced as 25.53 with severity of 2.94. Job superintendent's are active in church groups, including the Boy Scouts, P.-T.A., Toastmasters International, etc. Many are also active in church and school functions, conducting classes and appearing as speakers on various programs. During 1953 a colored movie entitled "Red Towers" was filmed for showings at industrial meetings, service club lunches, and community gatherings.

Welfare agencies throughout Southern California also continue to benefit from the annual Employees' Combined Charity Drive, proceeds of which amounted to more than $34,000 this year. Fluor is one of the firms in the Los Angeles area who loan a full-time employee to the Community Chest during the campaign period.

COMMUNITY RELATIONS

Company interest in community affairs remains high as several hundred employees actively participate and serve as officers in civic, lodge, state, and national groups, including the Boy Scouts, P.T.A., Toastmasters International, etc. Many are also active in church and school functions, conducting classes and appearing as speakers on various programs. During 1953 a colored movie entitled "Red Towers" was filmed for showings at industrial meetings, service club lunches, and community gatherings.

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Having reported for duty since the Korean outbreak.

Although Korean hostilities have ceased, a number of employees continue to serve in all branches of the Armed Forces. Company records indicate that about 50 were called into service during 1953, with a total of 200 having reported for duty since the Korean outbreak.

SERVICE PINS

Longevity of service and satisfactory performance of duty on the part of 112 company employees won them the company's highly prized service pin award. Presentations are made at special dinner parties held throughout the nation each year. This brings to 723 the total number of employees who have received pins designating from five to thirty years of service. The awards represent a composite total of 2765 years of service since the custom was started in 1941.

SUPERVISORS' CLUB

Organized in 1946, the Supervisors' Club has shown consistent growth and is recognized as a leading factor in employee development. Bi-monthly programs stress company operations and feature guest speakers, movies, and panel discussions. Membership totalled 300 during the year.

company's bi-monthly magazine, for excellence in composition and content, and the 1952 Annual Report received a third place award in a national contest.

COMPANY INFORMATION

While company news continues to be supplied to employees by plant and office bulletin boards, special literature and letters are mailed to all homes periodically. News items reporting on company developments and the activities of employees are prepared regularly for newspapers and trade journals.

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BOARD CHAIRMAN D. W. DARNELL PRESENTS 30-YEAR PIN TO PAUL JERDE

Willard Long, chief of engineering services, conducts supervisory training class.

National recognition was accorded Fluor-o-Scope, the company's bi-monthly magazine, for excellence in composition and content, and the 1952 Annual Report received a third place award in a national contest.

ARMED SERVICES

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The Fluor Corporation, Ltd.

INTERNATIONAL SCOPE OF
ACTIVITIES DURING 1953

Fluor was active in many areas during the
year as shown in this world drawing

1. United States
2. Canada
3. Virgin Islands
4. Puerto Rico
5. Colombia
6. Peru
7. England
8. France
9. Lebanon
10. Arabia

U.S. Sales and Service Offices

New York
Chicago
Los Angeles
Houston
San Francisco
Tulsa
Philadelphia
Boston
Pittsburgh
Birmingham
Cincinnati
Detroit

Foreign Offices

The Fluor Corporation of Canada, Ltd., Toronto
Fluor Peruana, S.A., Lima, Peru
Fluor International, S.A., Beirut, Lebanon
FACTS-Fluor, Paris, France
Head Wrightson Processes, Ltd., London, England

Manufacturing Plants

Paola, Kans.
Los Angeles

Subsidiaries and Affiliates

The Fluor Corporation of Canada, Ltd.
Middle-East Fluor, S.A.
Fluor Maintenance, Inc.
Fluor International, S.A.
Middle-East, Inc.
H. G. Acres & Company, Ltd.
Fluor Peruana, S.A.
Head Wrightson Processes, Ltd.
The Fluor Corporation, Ltd. Los Angeles 22, Calif.