

*Fluor Corporation* **73** *Annual Report*

*Highlights*

	Years ended October 31, 1973 and 1972	1973	1972	% Change
<b>FISCAL YEAR</b>				
Revenue		\$ 423,520,000	\$412,740,000	+ 2.6
Net earnings		11,307,000	7,843,000	+44.2
Earnings per common share		1.03	.68	+51.5
Depreciation, depletion and amortization		18,020,000	18,151,000	— .8
Funds provided from operations		29,696,000	24,479,000	+21.3
New orders received		1,135,000,000	672,000,000	+68.9
<b>AT YEAR END</b>				
Backlog		1,383,000,000	698,000,000	+98.1
Working capital		55,429,000	30,538,000	+81.5
Net investment				
Property, plant and equipment		85,304,000	106,130,000	—19.6
Oil and gas properties		19,195,000	15,579,000	+23.2
Long-term debt		8,549,000	9,874,000	—13.4
Total assets		\$ 272,307,000	\$231,873,000	+17.4
Current ratio		1.6	1.5	+ 6.0
Shareholders' equity		\$ 157,960,000	\$147,622,000	+ 7.0
Per share		\$ 15.16	\$ 14.19	+ 6.8
Shares outstanding				
Preferred		432,336	440,569	— 1.9
Common		9,725,744	9,234,318	+ 5.3
Number of employees		8,267	6,264	+32.0

*Earnings per share and shareholders' equity per share in 1972 have been adjusted for a 5% stock dividend in 1973.  
Shareholders' equity per share assumes conversion of preferred shares at pre-established conversion rates.*

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**ANNUAL MEETING:**

Notice of Fluor's Annual Meeting, which will be held at 10 a.m. on Monday, March 11, 1974, at the company's Los Angeles Division headquarters, will be mailed to all shareholders in February. Division headquarters is located at 5559 Ferguson Drive, Los Angeles, California 90022.





## Corporate Profile

J. R. Fluor, *Chairman and Chief Executive Officer*

Fluor has entered the most challenging period in its history. The energy and natural-resource industries worldwide sharply increased capital commitments during 1973, following a three-year downturn in spending. As a result, the Corporation ended fiscal 1973 with record new orders of \$1.1 billion and a backlog of \$1.4 billion. This new backlog exceeds by \$500 million the company's previous all-time high level of work to be performed.

Earnings for the year were significantly better than we anticipated a year ago, reflecting both improved performance and increasing opportunities among most of our operating units. Current backlog and our projections for new orders in 1974 and beyond indicate sustained earnings potential for several years to come.

Augmenting this improved outlook is the potential earnings that may be expected from Fluor's oil and gas activities. Because of recent increases in the price of Indonesian crude oil, for example, the company should earn about 50 cents per share in fiscal 1974 from this activity and its other oil and gas operations throughout the world, including production within the United States.

The current improvement in Fluor's business reflects our clients' need to increase capacity to alleviate worldwide shortages of processing facilities for fuels, chemicals, and metals. In addition, we see definite acceleration in programs aimed at exploration for and development of new resources to supply existing and new facilities. Offshore lease sales for the production of oil and gas are occurring worldwide, and development of other energy resources is being intensified in many areas of the world.

*Fluor employs thousands of native craftsmen at its many jobsites throughout the world. These two Peruvian welders—Manuel Herrera (left) and Santiago Llanque—are among more than 5000 workers on a major Fluor Utah project in their native country. The project is a \$550-million copper complex that will be one of the largest mining installations in the world. The six-year project, being performed for Southern Peru Copper Corporation, will be completed in mid-1976.*

As a reflection of the company's greatly improved performance and management's confidence in future growth, Fluor's Board of Directors—at its January 14, 1974, meeting—authorized a three-for-two split of the company's common stock, to be effected by a 50-percent common stock distribution on March 11, 1974. The Board also declared a quarterly cash dividend of five cents per share payable April 15, 1974, to shareholders of record on March 29, 1974. For the effect on the financial statements, refer to the Financial Review on page 24.

Fluor subsidiaries are currently involved in the evaluation and design of plants to provide sources of energy other than oil and gas. These projects include oil shale, tar sands, and substitute natural gas—particularly from coal. The substantial increase in the price of crude oil throughout the world and the depletion of gas reserves in the United States make these types of installations appear to be economically feasible.

As we enter 1974, we anticipate a growing need for Fluor's engineering-construction services to the utility industry—particularly for nuclear power plants—with the pending acquisition of a firm already active in that field.

At the base of the challenges facing Fluor—and other contractors as well—is the ability to recruit and train the technical manpower needed to execute rapidly expanding workloads. Fluor was successful in this effort during 1973, and we believe that we can continue to find and develop the qualified people who will be needed in the future.

Material shortages and tight capacities among equipment suppliers, resulting in stretch-outs in deliveries, present another challenge. We are making every effort to help our clients meet their projected completion dates. An additional concern is the availability of construction craftsmen for future large projects. Stronger cooperation between the contracting industry and labor groups, supported by increased apprentice training programs, will be necessary to alleviate this situation.

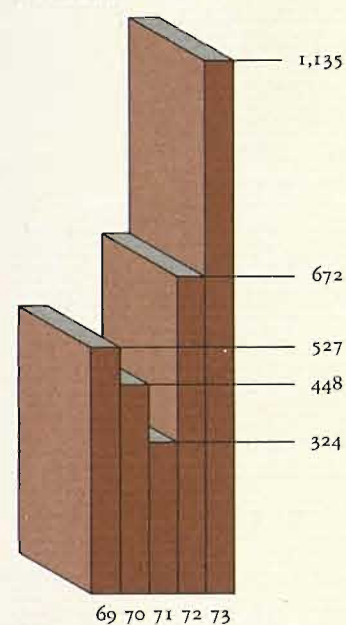
This is a time of change—for industry in general and for the energy industries in particular. Fluor has gained a leadership position in the energy-service field, and we plan to expand that position in the busy years ahead. The combination of a skilled, experienced organization and the company's strong financial position should enable Fluor to take full advantage of the many opportunities that lie ahead.



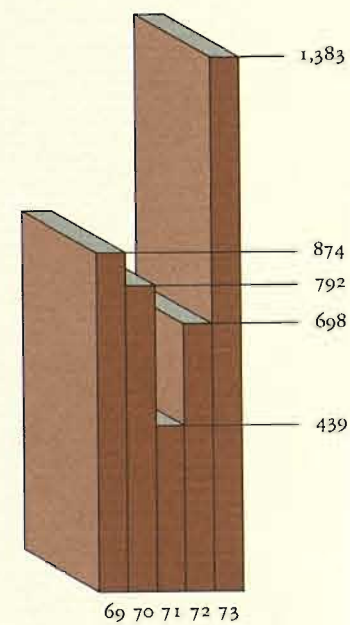
# Backlog by Industry and Location

(dollars in millions)	1969		1970		1971		1972		1973	
	\$	%	\$	%	\$	%	\$	%	\$	%
Engineering and Construction										
Petroleum/Gas Processing	514	58.8	481	60.7	210	47.8	469	67.2	1,146	82.9
Chemical/Petrochemical	156	17.8	119	15.0	73	16.6	48	6.9	90	6.5
Power	43	4.9	15	1.9	1	.2	3	.4	3	.2
Mining/Metals	118	13.5	153	19.3	136	31.0	160	23.0	100	7.2
Offshore	4	.5	7	.9	7	1.7	5	.7	6	.5
Drilling	39	4.5	17	2.2	12	2.7	12	1.7	35	2.5
Other	—	—	—	—	—	—	1	.1	3	.2
Total	874	100.0	792	100.0	439	100.0	698	100.0	1,383	100.0
United States	523	59.8	462	58.3	203	46.2	268	38.4	615	44.4
Outside U.S.	351	40.2	330	41.7	236	53.8	430	61.6	768	55.6
Total	874	100.0	792	100.0	439	100.0	698	100.0	1,383	100.0

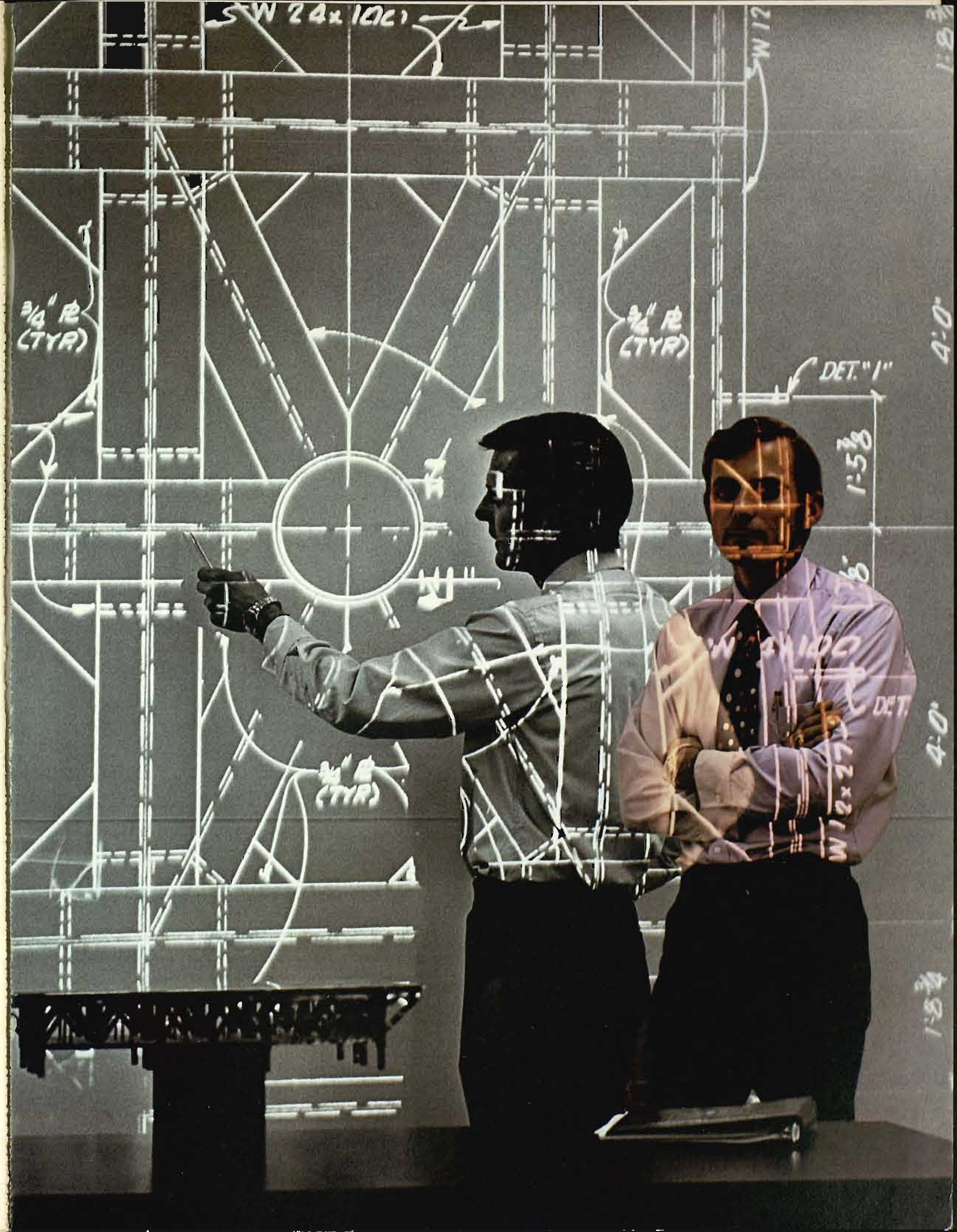
New Orders  
(in millions of dollars)



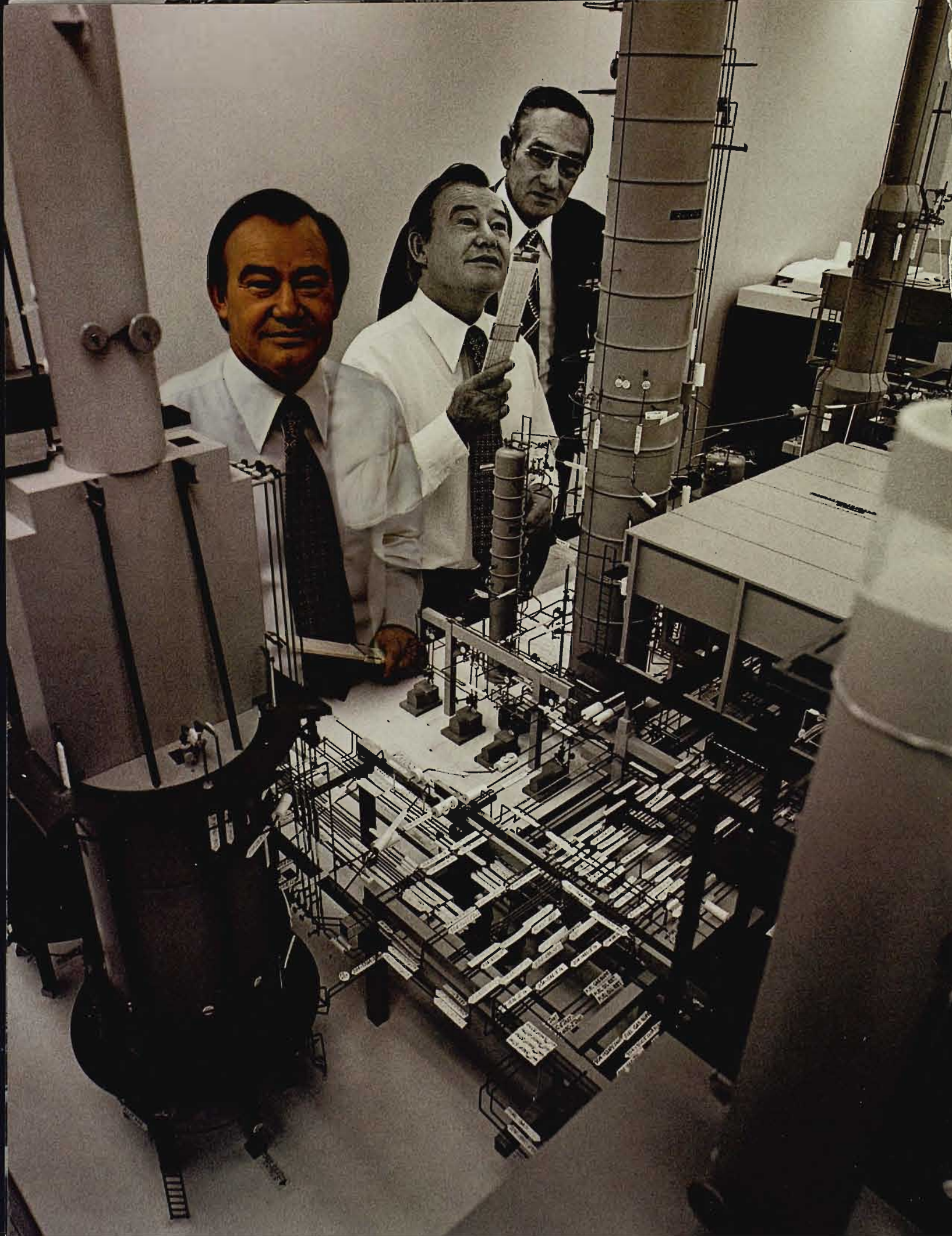
Backlog  
(in millions of dollars)



Fluor Ocean Services' Manager of Construction Porter Dobbins looks at a detailed drawing of the structural components of a mooring dock, which this subsidiary installed in Indonesia as part of marine loading facilities for Petromer Trend. The facilities are now being used to assist in temporary storage of oil being produced by a group headed by Petromer Trend. A Fluor Company—South Pacific Oil, Inc.—also is a member of the group.







## Operations Report

Following are highlights of Fluor's operations during fiscal 1973:

### PROCESS-PLANT ENGINEERING AND CONSTRUCTION

	1973	1972
Earnings Before Taxes	\$ 23,582,000	\$ 14,820,000
Revenues	214,151,000	242,692,000
Backlog	1,241,434,000	519,743,000

Fiscal 1973 was a pivotal year for Fluor Engineers and Constructors. This subsidiary had a dramatic upsurge in new orders for processing facilities and accelerated its expansion of staff and facilities, both in the United States and at its overseas locations.

Posting record new orders of \$1 billion in 1973, Fluor Engineers and Constructors was exposed to more inquiries for new plants than it has ever experienced. This situation, which first became apparent at the beginning of the year, is continuing into fiscal 1974. Available work includes projects for petroleum, chemical, petrochemical, and gas-processing facilities, along with plants to produce clean fuels from coal and other sources. Many of these projects call for larger capacities — such as 500,000-barrels-per-day refineries — than have ever before been built.

From a base of 3800 at October 31, 1972, more than 2000 employees were added to Fluor Engineers and Constructors' worldwide operations during the year. The majority of

*A contract to design, procure, and construct a 100,000-barrels-per-day refinery for the National Iranian Oil Company (NIOC) is currently being carried out by a joint venture of Middle East Fluor—a wholly owned Fluor subsidiary—and Thyssen Stahlunion Technik of Dusseldorf, West Germany. The contract calls for a new plant adjacent to the Tebran refinery. Project Manager James Dixon (left) and Construction Superintendent Cohee Smith review a portion of a model of the new facility.*

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them joined the subsidiary's Los Angeles and Houston Divisions. To accommodate both current and future staffs, several steps were taken during 1973 to provide adequate space for personnel at locations throughout the world.

In Houston, construction began on an 11-story, 472,000-square-foot office building adjacent to existing Houston Division headquarters. Completion is scheduled for February 1975. The Los Angeles Division leased additional space in Orange County, California, and selected an architect to design a new facility for future relocation of the Division's headquarters and consolidation of all its Southern California activities. The new facility will be built on a 105-acre site in the Irvine Industrial Complex and will be ready for occupancy in December 1976.

During 1972, Fluor Nederland B.V., with a staff of nearly 700, moved into new quarters that can accommodate up to 1000 personnel. In Great Britain, Fluor England's staff was increased to nearly 600, and a search is under way for larger quarters for that operation.

Fluor GmbH, the company's West German engineering operation, increased its staff to nearly 100 to carry out work on the design, procurement, and construction supervision of a major onshore gas-conditioning plant for the Phillips Norway Group in the Emden area of Germany. Further growth in staff is planned for this office.

Early in the year, Fluor Canada Ltd. — the company's subsidiary offering engineering and construction services to Canadian clients — established a new office in Calgary, Alberta. This office had nearly 100 employees at year end working on various projects.

China Fluor Engineering & Construction Co., Ltd., the firm's office on Taiwan, enjoyed a good workload during 1973, with a variety of assignments for its engineering staff. There were more than 100 employees with this subsidiary at year end.

Major process-plant contracts received during the year included: engineering and procurement of a 250,000-barrels-per-day refinery expansion for Exxon Company U.S.A. in Baytown, Texas; engineering, procurement, and construction of a 100,000-barrels-per-day grass-roots refinery for Pertamina, the Indonesian state oil company; and the planning, engineering, and design of the mainline



pumping stations and terminal facilities required for the trans-Alaska crude oil pipeline. Work on all three is continuing into 1974.

Among other ongoing projects is the engineering and construction work being performed on a major refinery expansion in Antwerp, Belgium. This project, which is being carried out for Esso Belgium N.V., is so large that two of Fluor's European subsidiaries are collaborating on the extensive work involved.

Representative of the growing scope of projects for Fluor Engineers and Constructors is the preliminary engineering work being done on a 500,000-barrels-per-day export refinery planned for a group of German oil companies and the National Iranian Oil Company in southern Iran. This project, like the Tehran refinery, is being handled on a joint-venture basis with Thyssen Stahlunion Technik GmbH of Dusseldorf, West Germany.

In addition to the large petroleum backlog on which this subsidiary is working, other areas of work include coal gasification, tar sands, liquefied natural gas, and chemicals such as caustic-chlorine, polyvinyl chloride, and polyethylene. Fluor Engineers and Constructors also continues to be active in nuclear work for clients outside the utility industry and expects to participate in projects involving fuel reprocessing and uranium enrichment.

#### MINING/METALS ENGINEERING AND CONSTRUCTION

	1973	1972
Earnings Before Taxes	\$ 55,000	\$ 1,390,000
Revenues	88,077,000	62,269,000
Backlog	100,106,000	160,555,000

Fluor Utah reported better-than-anticipated results on most of its projects in 1973, but three projects with substantial losses resulted in this subsidiary not meeting its goal for the year. The impact of those jobs — two tunnels in the United States and a dam in Australia — was an essentially break-even earnings performance for Fluor Utah. The loss projects, which were awarded more than three years ago, are all now completed.

The impact of those projects strengthened the company's decision of a year ago to de-emphasize heavy civil work and to orient its services toward the mining and metals

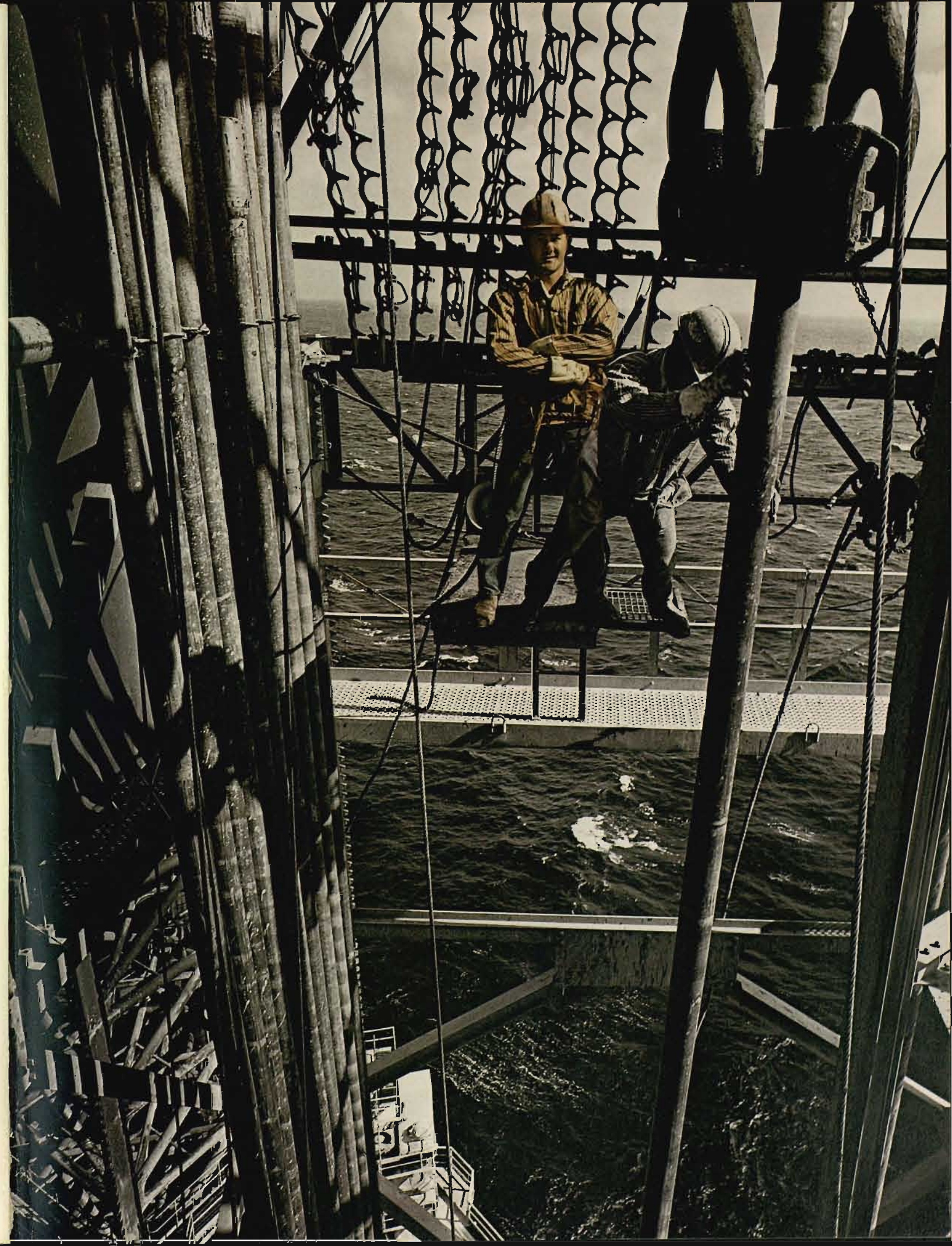
industries. Any work in the civil field that Fluor Utah will perform in the future will be done only on a highly selective basis.

New orders of about \$50 million in 1973 fell below the level expected for the year. Management of this subsidiary, however, anticipates an upturn in new orders in 1974. At the beginning of the new fiscal year, Fluor Utah had proposals outstanding on projects totaling more than \$1 billion. The projects — which include the development of coal deposits, tar sands, oil shale, uranium, copper, and iron — are located in both North and South America, in Africa, and in the Australasian area.

Fluor Utah's subsidiary, Fluor Australia, had few opportunities for new work during 1973 because of economic conditions in Australia. The company, however, is involved in several ongoing projects and expects a gradual improvement in bidding opportunities in the next two years. In addition, the company is exploring new marketing areas for mineral projects, primarily in the Philippines and in Indonesia and surrounding areas.

Encouraging prospects for Fluor Utah's coming year and the years beyond are based on a firming market for mining and metallurgical contracting business. Particularly strong opportunities should result in the coal mining field and in metals projects as client companies strive to meet increased demands for steel. Internally, this outlook is supported by

*Fluor Drilling Services' newest rig is Mr. Mel, which enjoyed 100-percent utilization throughout all of fiscal 1973. John Mallett, a rig welder and relief derrick man, is shown here on the rig, which operates in the Gulf of Mexico along with three other pieces of Fluor equipment. Mr. Mel is a self-elevating jack-up drilling rig that is capable of drilling in 350-foot water depths. Fluor Drilling Services also has five mobile barges worldwide.*







a stronger, more experienced sales staff and a significantly expanded technical force. The engineering department, for example, has grown one-third in the past year.

Among Fluor Utah's current jobs is the ongoing Cuacone copper mining project, one of the largest such developments in the world. The \$550-million complex, being installed for Southern Peru Copper Corporation in Peru, is scheduled for completion in mid-1976. At the end of 1973, the project was nearly 30-percent complete.

At Cuacone, Fluor Utah is providing engineering, procurement, and construction management services. These include mine development, processing, transporting, housing, and other facilities. Engineering and procurement are being performed in San Mateo, California, and Lima, Peru.

This subsidiary's experience in coal mining technology resulted in a \$2.3-million contract in 1973 from the U.S. Office of Coal Research. Under the contract, Fluor Utah will determine the environmental, technical, and economic requirements for large-scale systems that will be needed as coal becomes more important as an energy source.

Fluor Utah also received a contract during 1973 for a \$25-million uranium mining and milling complex for Sohio Petroleum Company and Reserve Oil & Minerals Corporation in New Mexico. This is the fifth uranium processing plant to be built in North America in recent years. Fluor Utah is responsible for four of these.

In addition, Fluor Utah received a contract from Rosario Dominicana S.A. for engineering and procurement of an

*Kilsby Tubesupply, the Corporation's distributor of steel and aluminum pipe and tubing on the U.S. West Coast and in Mid-continent states, had a significant increase in revenues and profits in 1973. This subsidiary operates from six warehouses and two sales office locations. One warehouse is located in San Leandro, California, where Kilsby Warehouseman Salvador Lara is shown measuring stainless steel tubing prior to filling an order.*

8000-tons-per-day cyanide processing plant for the recovery of gold and silver. The plant, which will be built in the Dominican Republic, will be the second largest gold processing plant in the Western Hemisphere when completed in 1974.

#### POWER ENGINEERING AND CONSTRUCTION

In line with Fluor's stated intention to become a major factor in providing engineering and construction services to the utility industry, the Corporation in August 1973 entered into an agreement in principle with Pioneer Service & Engineering Company for combining Pioneer with Fluor. It is expected that the reorganization will be accomplished through an exchange of 210,000 shares of Fluor Preferred Series B Stock for Pioneer's stock.

Pioneer, which has its headquarters in Chicago, provides engineering, procurement, and construction management services to the electric utility industry. It was one of the first engineering firms involved in the development of nuclear power plants.

Pioneer's design experience in both fossil-fuel and nuclear power projects and Fluor's own project management and construction capabilities create a natural combination of improved services to utility firms, particularly for large, long-term contracts.

#### OFFSHORE ENGINEERING AND CONSTRUCTION

	1973	1972
Earnings Before Taxes	\$ 1,102,000	\$ (2,391,000)
Revenues	20,969,000	24,826,000
Backlog	5,852,000	4,767,000

Fluor Ocean Services reported a profitable year in fiscal 1973 as requirements for specialized engineering and construction of marine and offshore facilities continued to grow. This subsidiary provides services for the offshore industry ranging from feasibility studies through construction.

Particular capabilities were demonstrated during the year in the engineering and construction of marine and offshore terminals with associated pipelines, along with the engineering and construction management of drilling and production platforms and of offshore production and storage facilities.



Among the projects completed in 1973 was a marine loading facility for Petromer Trend in Irian Jaya, Indonesia. The marine terminal, pipelines, and process facility were engineered and built by Fluor Ocean Services in six months. Another Fluor company, South Pacific Oil, is a member of the Petromer Trend group.

The company also performed the preliminary design of the offshore tanker terminal for the Louisiana Offshore Oil Production installation, which will be one of the largest such projects in the world. Fluor Ocean Services also completed the marine terminal design and assisted in the construction planning for the Trans-Alaska crude oil pipeline program's Valdez terminal.

Representative of projects currently under way is the managing contractor assignment for a natural-gas liquids plant in the Java Sea. This will be the world's first such facility to be located offshore. In association with Fluor Engineers and Constructors' Houston Division, the company is responsible for all marine facilities, including four platform-mounted flow stations, 40 miles of submarine pipelines, a central process platform, and a marine loading terminal. Completion is set for 1975.

In May of 1973, this subsidiary sold much of its offshore construction equipment located in the Gulf of Mexico for approximately \$15.6 million. Sale of this equipment has enabled Fluor Ocean Services to concentrate its efforts in more specialized engineering and construction projects within the offshore industry.

The increasingly rapid development of offshore areas and the growing importance of facilities such as marine terminals and offshore platforms indicate numerous opportunities for Fluor Ocean Services' capabilities worldwide.

DRILLING SERVICES

	1973	1972
Earnings Before Taxes	\$ 8,396,000	\$ 7,275,000
Revenues	32,227,000	27,145,000
Backlog	34,520,000	12,000,000

The highest utilization rate of drilling equipment since Fluor Drilling Services was formed highlighted that subsidiary's fiscal year. In 1973, utilization of offshore operat-

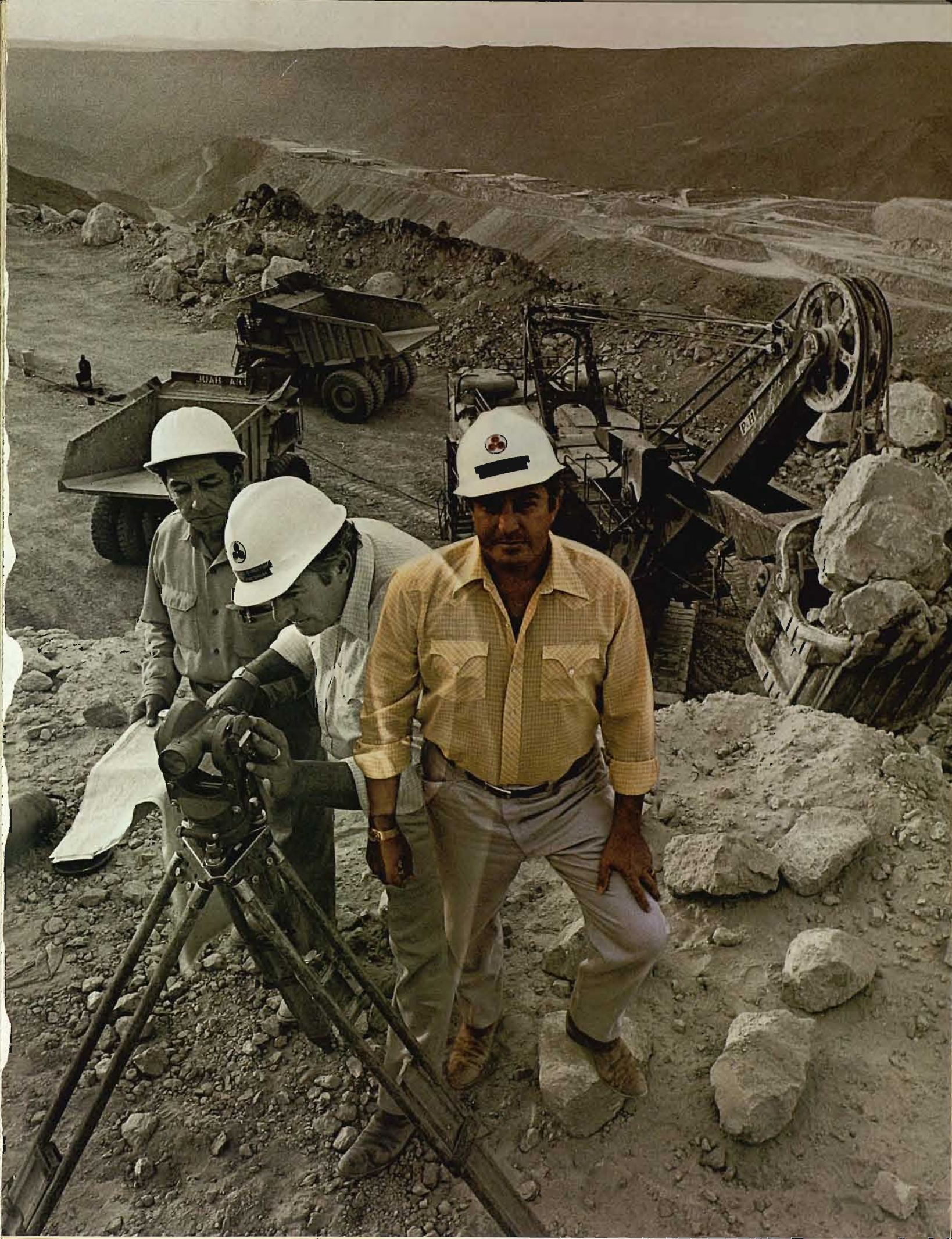
ing units reached 89.9 percent — one of the highest rates in the industry. This resulted from long-term contracts for the company's floating barges and renewed government lease sales, which kept the subsidiary's shallow-water equipment in the Gulf of Mexico busy.

Fluor Drilling Services' five barges are all at work in waters outside the United States. In the Far East, the WODECO IV is drilling off Taiwan, the WODECO VI offshore Kalimantan (Borneo), and the WODECO VII in the South China Sea. The WODECO III is on long-term assignment in the Persian Gulf, and the WODECO V is carrying out exploratory drilling for a group — in which Fluor is a participant — in the Aegean Sea off Greece.

In the Gulf of Mexico, the company has four rigs — Mr. Arthur, Mr. Gus, Mr. Mel, and Mr. Sam. Mr. Mel, the new jack-up rig commissioned at the beginning of the fiscal year, enjoyed 100-percent utilization throughout the year. It is capable of drilling at 350-foot water depths.

The company made commitments for two additional offshore drilling rigs during fiscal 1973. The first is the conversion of a former oil tanker into a self-propelled drilling vessel. It will be able to moor in water depths to 750 feet and drill to 25,000 feet. The new drillship, to be called the WODECO VIII, will provide quarters for 109 crewmen. It is scheduled for completion in mid-1974 at a cost of approximately \$20 million.

*Ray Pasternak is Fluor Utab's Project Director on Southern Peru Copper Corporation's new mining and processing complex being built in Cuajone, Peru. Major activity in this project is taking place at an elevation of more than 11,000 feet in the Andes Mountains, but all components of the project are spread over a 750-square-mile area from Ilo on Peru's coast to Lake Suches, which is 16,000 feet high. With Pasternak is Engineer Cesar Serpa.*







The second new piece of equipment will be a self-elevating jack-up drilling rig, designed to operate in 350-foot water depths and to drill to 30,000 feet. The \$13.5-million rig, to be called Mr. Si, is scheduled for initial use in the Gulf of Mexico early in 1975. Both the WODECO VIII and Mr. Si are already under contract. Design work is currently being carried out on yet another addition to the fleet.

Fluor Drilling Services is looking toward increased work opportunities in the years ahead from new discoveries in the Indonesian and Malaysian areas, off West Africa, in the Persian Gulf, in U.S. waters, and in new areas yet to be drilled throughout the world.

#### SUPPLY SERVICES

	1973	1972
Earnings Before Taxes	\$ 5,214,000	\$ 3,292,000
Revenues	61,111,000	49,081,000

Kilsby Tubesupply and The Republic Supply Company of California both posted their best years ever. Despite uncertain product availability that resulted in material shortages, both firms were able to add to inventories throughout 1973.

Pace of growth of Kilsby, the West Coast and Mid-continent distributor of steel and aluminum pipe and tub-

*Republic Supply Company is Fluor's subsidiary that distributes equipment to the oil-field drilling and production industry as well as to other industrial markets. This subsidiary opened two new field stores during the past year to bring its total number of branches to 15. This photograph shows Republic Warehouseman Bob Risley tallying pipe on an order going out at the subsidiary's headquarters and main yard in Compton, California.*

ing, gained momentum throughout 1973. Revenues and profits were significantly higher from all six warehouses and two sales office locations. To profitably handle increased inventories, warehouses in Portland and Seattle were expanded and modernized, and new sales were generated by the opening of offices in Denver and Houston.

A new 72,000-square-foot warehouse is near completion in Los Angeles, which will significantly improve service to Kilsby's largest market. During 1974, a new warehouse will be built in Denver to serve the Rocky Mountain States, and the Dallas warehouse will be expanded to support increased inventory for the fast-growing Texas market.

Early in fiscal 1974, Kilsby acquired from Coleman Systems the assets of Coleman's Industrial Hydraulics Division in Vernon, California. A new product service for the hydraulic cylinder and oil tool industries — honing — was added through this acquisition.

Republic Supply Company, which distributes equipment to the oil field drilling and production industry and other industrial markets, also experienced a fast pace of growth throughout 1973. During the year, Republic opened two new field stores. The first was opened in Tucson, Arizona, primarily to offer equipment to the mining industry. A second store was opened in Fresno, California, as an expansion of the company's industrial service to California's San Joaquin Valley.

Late in 1973, Republic acquired Basin Valve and Instrument Company. This firm, which has facilities in Long Beach and Oakland, California, specializes in maintenance and repair of relief and safety valves. Republic's Valve Power Controls Division, which specializes in valve automation, has been merged with Basin. The new organization will continue to serve clients in the refining, chemical, power, and related industries.

#### OIL AND GAS OPERATIONS

	1973	1972
Earnings Before Taxes	\$ 218,000	\$ 835,000
Revenues	4,412,000	3,604,000

Fluor consolidated its oil and gas exploration and development activities into a new subsidiary, Fluor Oil and Gas Corporation, in May 1973. The new subsidiary, which has



headquarters in Denver, Colorado, combines Fluor's interests in oil and gas properties in the United States and its participations in six overseas oil and gas ventures. Joseph S. Bowman joined the company as President of Fluor Oil and Gas Corporation. The subsidiary is staffed to evaluate opportunities to join with other companies in seeking new hydrocarbon resources.

Fluor joined two groups that have entered into production-sharing contracts during the past year. Onshore, in the Oriente region of Peru, Fluor has a 12.5-percent interest as member of a five-party group in an exploration and development contract covering 3861 square miles. The group has begun initial seismic investigation that should be completed within one year.

In the second new agreement, Fluor has a 12.5-percent interest with three other partners in a 567-square-mile block offshore Sabah, the northernmost Malaysian State on the Island of Kalimantan. Seismic lines have been shot, evaluation has been completed, and the first exploration well should be spudded early in the first half of 1974.

In the Aegean Sea concession offshore Greece, in which Fluor is a 12.5-percent partner, three wells have been drilled. One encountered non-commercial low-gravity oil, the second hit pay zones of natural-gas and condensate and indicated a potential flow of 20 million cubic feet per day, and the third — drilled as a step-out well — confirmed gas sands, but not suitable for commercial production. A fourth well on a separate structure was spudded in December and hydrocarbons were encountered. Additional drilling and testing are continuing. This concession involves 2296 square miles in the Aegean Sea.

In the North Sea, where Fluor is a 10-percent partner in a concession covering 50 square miles, seismic work has been performed. Timing for first drilling is contingent on disposition of the adjacent block, which is in Norwegian waters.

Fluor also has a one-sixth interest in a concession located in the East China Sea north of Taiwan. Extensive seismic work has been carried out, and an initial exploration well is planned for 1974.

The most significant activity occurred in Indonesia. Fluor has a 10-percent interest in a 1290-square-mile area in Irian Jaya with seven other partners under a production-sharing

contract with the Indonesian state oil company, Pertamina. Oil discoveries have been made on four separate structures, and production of 40,000 barrels per day began in September. At the beginning of 1974, production was averaging 48,000 barrels per day from two of the structures, and it is anticipated that a further increase will occur in 1974. Continuing seismic and drilling programs are being carried out to determine ultimate potential.

An accelerated exploration program, which began two years ago in Fluor's domestic oil and gas operations, has resulted in net gas production to Fluor of 10.2 million cubic feet per day from four deep wells in West Texas and a more recent discovery in Wyoming. A net total of 8.3 billion cubic feet of natural gas was produced during fiscal 1973.

Oil production from domestic properties, in which Fluor takes royalty or working interests, resulted in 734,313 net barrels of crude oil for the year. Of the 40 wells drilled in 1973, 28 were successful. Twenty-three of these are oil wells, and five are natural gas.

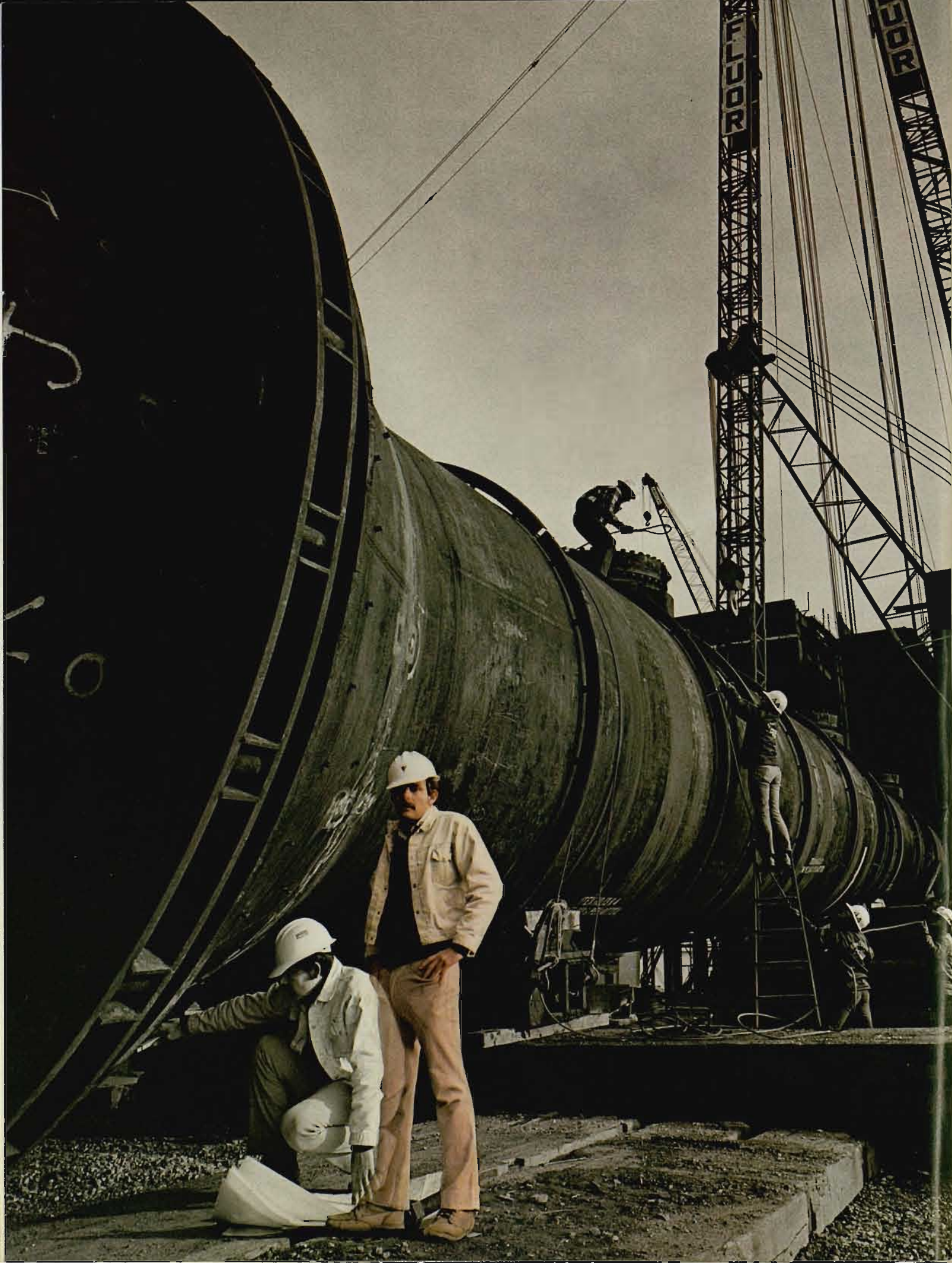
#### UNDERWATER PRODUCTION SYSTEMS

Deep Oil Technology, the company's subsidiary for the development of undersea oil production systems, continued service operation on the four underwater wells it installed in the Persian Gulf in 1972.

*A major Fluor corporate service to its subsidiaries is provided by the Computer Sciences group in Los Angeles. Manager of Computer Services Chuck Pollock is shown just after mounting a disk pack in a rotating mass storage unit, one of the integral parts of computer operations. Computers aid in providing payroll data to jobsites, inventory management, and numerous other applications, in addition to being the main part of the firm's U.S.-European computer link.*







During 1973, this subsidiary carried out a study for Chevron Oil Field Research Company (a division of Standard Oil Company of California) on the Tension Leg Platform system for deep-water offshore production. This system, which has been under development by Deep Oil Technology for several years, features a buoyant structure held in place by vertical anchor cables that are in tension at all times. These tension legs prevent the platform from heaving and act as a restoring force when weather causes the platform to move laterally.

A group of major oil companies has expressed interest in this advanced deep-water production equipment, and an at-sea test program is scheduled during fiscal 1974.

#### SPECIALIZED CONSULTING/COMPUTER SERVICES

Bonner & Moore Associates worked on major projects during 1973 for government, energy pipeline, and international oil and chemical clients. This subsidiary also experienced an increase in client use of its systems and services for process-plant planning, with particular interest shown by major refiners. European activity remained at a high level, both in Western Europe and in the Eastern bloc.

Bonner & Moore's plans for 1974 and beyond include a strong focus of marketing activities toward new segments of the energy industry. The firm looks toward increased

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*In Marcus Hook, Pennsylvania, Fluor Engineers and Constructors is carrying out the major portion of a refinery modernization project for the BP Oil Corporation. As part of the contract, Fluor installed this 270-ton reactor, which had to be transported to the jobsite by barge because of its size. It traveled the last few miles by rail. Chief Construction Engineer Gus Dontanville oversaw the logistics of the large reactor lift at the jobsite.*

government-sponsored work, such as assignments it began in late 1973 for the U.S. Federal Energy Administration.

#### CORPORATE DEVELOPMENTS

During 1973, the Fluor Foundation donated more than \$200,000 to higher education institutions and nearly \$215,000 to charitable organizations. These funds are allocated in communities in which the company has offices. Fluor employees continue to rank high among individual contributors in industrial fund-raising drives for charities.

People Growth, Inc., the company's subsidiary that offers management development training programs to other Fluor subsidiaries as well as to outside firms, trained nearly 2700 participants during the past year. More than 970 of these were Fluor employees. This subsidiary has appointed a full-time training administrator to Fluor Utah's San Mateo office.

City of Commerce Investment Company, the Corporation's subsidiary that serves as a private investment company and offers management assistance to minority business enterprises, ended its third year of operations. This firm, one of the few successful organizations of its type, has aided 156 companies to date and has invested in 18 of them.

The company continued to expand its computer applications during the year. As part of the effort to improve cost-control capabilities, a new computerized payroll system for field construction workers went into effect during the year. First use of this system, in which Fluor's Los Angeles computer relays paycheck data directly to a computer terminal at a jobsite, took place during the year on a major refinery expansion being carried out by Fluor Engineers and Constructors in Pennsylvania and on a project being performed by Fluor Utah in New Mexico.

The Corporation also marked its first full year using the computer link among its U.S. offices and its European operations. In addition, significant progress was made on the development and implementation of an inventory management system for Kilsby Tubesupply and Republic Supply Company using Fluor's corporate computer.

The Corporation appointed the firm of Arthur Young & Company as its Certified Public Accountants at the beginning of 1973. This international organization is well-gearred toward serving Fluor's worldwide operations.



## Principal Subsidiaries and Divisions

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### Process-plant engineering and construction and related services:

FLUOR ENGINEERS AND CONSTRUCTORS, INC.  
2500 South Atlantic Boulevard, Los Angeles, California 90040  
President: David S. Tappan, Jr.

LOS ANGELES DIVISION  
5559 Ferguson Drive, Los Angeles, California 90022  
Vice President: William I. McKay

HOUSTON DIVISION  
4620 North Braeswood Boulevard, Houston, Texas 77035  
Vice President: Ernest Moncrief

FLUOR EUROPE, INC.  
26 Finsbury Square, London, E.C. 2, England  
President: Arthur C. Sheffield

FLUOR (ENGLAND) LIMITED  
Finwell House, 26 Finsbury Square  
London, E.C. 2, England  
Managing Director: John A. Davis

FLUOR NEDERLAND B.V.  
Europaweg, Haarlem, The Netherlands  
Managing Director: Harold W. Sorensen

FLUOR GmbH  
4000 Dusseldorf-Nord, Schwannstrasse 3  
West Germany  
Managing Director: Peter Forester

FLUOR CANADA LTD.  
6712 Fisher Street, S.E.  
Calgary, Alberta, Canada  
President: F. U. Leonard

CHINA FLUOR ENGINEERING & CONSTRUCTION CO., LTD.  
425 Tun Hwa S. Road, Taipei (106), Taiwan  
Republic of China  
Vice President: Robert E. Kelly

### Drilling services:

FLUOR DRILLING SERVICES, INC.  
2500 South Atlantic Boulevard, Los Angeles, California 90040  
President: Ross A. McClintock

WESTERN OFFSHORE DRILLING  
AND EXPLORATION DIVISION  
2500 South Atlantic Boulevard  
Los Angeles, California 90040  
Vice President and General Manager: Robert F. Woidneck

CORAL DRILLING DIVISION  
1010 De Montluzin Building, 234 Loyola Avenue  
New Orleans, Louisiana 70112  
Vice President and General Manager: John P. Carpenter

### Mining/metals engineering and construction services:

FLUOR UTAH, INC.  
177 Bover Road, San Mateo, California 94402  
President: Warren F. Kane

FLUOR AUSTRALIA PTY. LIMITED  
201-217 Fitzroy Street, St. Kilda, Victoria, Australia 3182  
Vice President and Managing Director: Daniel W. Dailey

### Offshore engineering and construction services:

FLUOR OCEAN SERVICES, INC.  
6200 Hillcroft Avenue, Houston, Texas 77036  
President: James L. Tathwell

### Oil and gas operations:

FLUOR OIL AND GAS CORPORATION  
1600 Broadway, Suite 1050, Denver, Colorado 80202  
President: Joseph S. Bowman

### Supply services:

KILSBY TUBESUPPLY COMPANY  
2501 South Malt Avenue, Los Angeles, California 90040  
President: John K. Pike

THE REPUBLIC SUPPLY COMPANY OF CALIFORNIA  
20101 South Santa Fe Avenue, Compton, California 90021  
President: Edward A. Law, Jr.

### Power engineering and construction services:

FLUOR POWER, INC.  
2500 South Atlantic Boulevard, Los Angeles, California 90040  
President: John T. Stiefel

### Underwater production systems:

DEEP OIL TECHNOLOGY, INC.  
1601 Water Street, Long Beach, California 90802  
President: Edward E. Horton

### Specialized consulting and computer services:

BONNER & MOORE ASSOCIATES, INC.  
500 Jefferson Building, Houston, Texas 77002  
President: Joe F. Moore

### Registrars and Transfer Agents:

THE CHASE MANHATTAN BANK, N.A., New York  
SECURITY PACIFIC NATIONAL BANK, Los Angeles

### Auditors:

ARTHUR YOUNG & COMPANY

## Financial Review

### MAJOR ACCOUNTING POLICIES

#### Principles of Consolidation

The financial statements include the accounts of the Company and all of its subsidiaries. All significant inter-company transactions are eliminated. The equity method of accounting is used for partnerships, joint ventures, and companies where ownerships range from 20% to 50% (which represent an insignificant portion of total assets). Financial statements for 1972 include certain reclassifications to conform to the 1973 financial statement presentation.

#### Engineering and Construction Contracts

The Company recognizes revenue on engineering and construction contracts on the percentage-of-completion method based on the ratio of costs incurred to date on the contract to total estimated contract costs. Changes to total estimated contract costs are recognized in the period they are determined and losses, if any, are recognized fully when they are determined. Revenues recognized in excess of amounts billed are classified under current assets as costs and estimated earnings in excess of billings on uncompleted contracts. Amounts billed in excess of revenue recognized to date are classified under current liabilities as billings in excess of costs and estimated earnings on uncompleted contracts.

#### Accounting for Foreign Subsidiaries

The assets and liabilities of foreign subsidiaries are translated into U.S. dollars at exchange rates in effect at the balance sheet dates except for property, plant and equipment, investments and other assets, which are translated at exchange rates prevailing at date of acquisition. Foreign operations are translated into U.S. dollars at the average exchange rates for the year, with the exception of depreciation, depletion, and amortization which is translated at exchange rates prevailing at date of acquisition of the related assets. Translation and exchange gains of approximately \$1,250,000 in 1973 and \$460,000 in 1972, are recognized currently in costs and expenses. At October 31, 1973, net assets of foreign subsidiaries (located principally in the United Kingdom, Australia, and Europe) were \$22,400,000, including net current assets of \$11,100,000. Net earnings of foreign subsidiaries were approximately \$5,400,000 in 1973 and \$4,400,000 in 1972 on revenues of approximately \$114,000,000 in 1973 and \$100,000,000 in 1972.

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### Income Taxes

Current deferred income taxes relate principally to the use of the completed contract method of accounting, adopted with the filing of the 1972 tax return, for certain engineering and construction contracts for tax reporting purposes whereas the percentage-of-completion method of accounting is used for financial reporting purposes. Noncurrent deferred income taxes relate principally to the use of accelerated depreciation for tax reporting purposes.

Investment tax credits are accounted for under the flow through method and are applied as a reduction to the provision for current income taxes.

The undistributed earnings of foreign subsidiaries are subject to certain taxes when remitted to the United States. A tax provision of \$639,000 was made for 1973 undistributed earnings of foreign subsidiaries. Taxes on undistributed earnings of foreign subsidiaries which have not been provided for are not material.

### Depreciation, Depletion, and Amortization

Depreciation and amortization of property, plant, and equipment, other than oil and gas properties, are calculated on a straight line or accelerated basis over the estimated service lives of the related assets. Depreciation and depletion related to oil and gas properties are based principally on the units-of-production method.

### EARNINGS

Fluor's consolidated net earnings for 1973 were \$11,307,000, or \$1.03 per common share, an increase of 44% over the 1972 net earnings of \$7,843,000 or \$.68 per common share, after preferred dividend requirements in 1973 and 1972. The 1972 earnings per common share have been adjusted for a 5% stock dividend.

### SHAREHOLDERS' EQUITY

Shareholders' equity rose to an all-time high of \$157,960,000 or \$15.16 per common share assuming conversion of preferred shares into common shares. The shareholders' equity amounts to \$11.80 per common share, after liquidation preferences.



**WORKING CAPITAL**

Working capital increased \$24,891,000 during fiscal 1973. The principal sources were \$29,696,000 from operations, and \$15,600,000 from the sale of marine equipment.

**CAPITAL EXPENDITURES**

Capital expenditures amounted to \$24,236,000 in 1973 compared with \$21,201,000 in 1972. The principal expenditures in 1973 were for drilling and marine equipment, domestic and foreign oil projects, construction equipment and the purchase of a replacement airplane.

In December 1972, the Company's executive airplane crashed. The airplane was insured under an aircraft hull and liability policy for \$2,400,000, the then current replacement value of the airplane. The insurance recovery was approximately \$2,125,000 in excess of the carrying value of the airplane which has been used to reduce the cost of a replacement airplane.

**LONG-TERM DEBT**

Long-term debt at October 31, 1973 consists of the following:

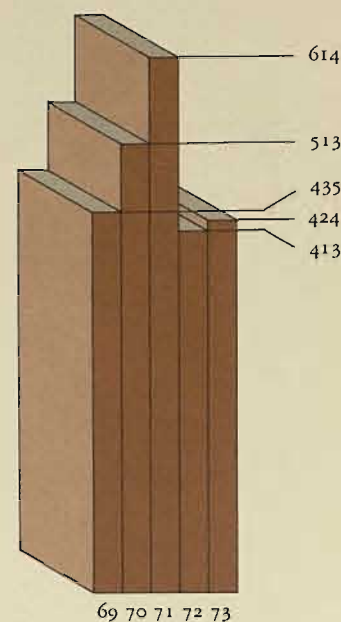
	Total	Current Portion	Noncurrent Portion
5 $\frac{3}{8}$ % unsecured note—due November 1, 1978	\$ 4,250,000	\$ 750,000	\$3,500,000
6% note—secured by first trust deed—due in monthly installments of \$18,000 including interest, due June 1, 1978	1,990,000	96,000	1,894,000
8 $\frac{3}{4}$ % notes—secured by building and land mortgages, due on varying dates to January 1, 1987	3,105,000	310,000	2,795,000
Other notes and mortgages	750,000	390,000	360,000
	<u>\$10,095,000</u>	<u>\$1,546,000</u>	<u>\$8,549,000</u>

The 5 $\frac{3}{8}$ % note is payable in annual installments of \$750,000 through maturity with interest payable semi-annually. This loan agreement includes provisions for minimum amounts of working capital and restriction of payments of cash dividends. At October 31, 1973, approximately \$45,000,000 of consolidated retained earnings were unrestricted for payment of cash dividends.

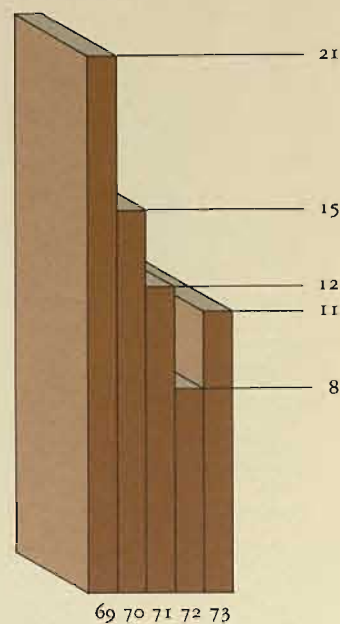
The 8 $\frac{3}{4}$ % notes are payable in annual installments of \$310,000 through fiscal 1976 and \$217,000 thereafter with interest payable annually.

**Revenue**

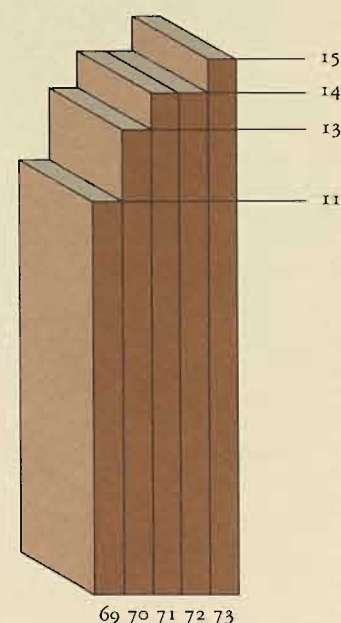
(in millions of dollars)

**Net Earnings**

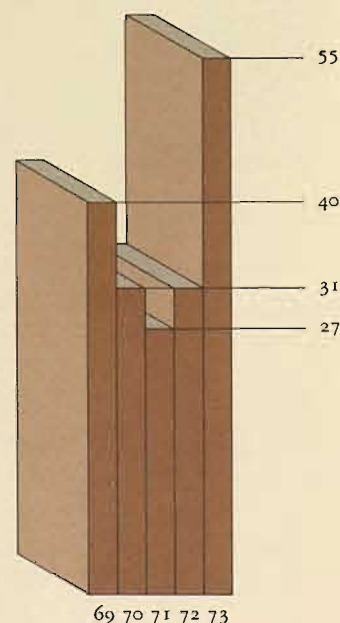
(in millions of dollars)

**Shareholders' Equity**

(in dollars)

**Working Capital**

(in millions of dollars)

**OTHER EXPENSE—NET**

Other expense in 1973 includes provisions of \$2,500,000 for estimated losses on planned dispositions of property in Houma, Louisiana and certain investments in minority owned companies.

**INCOME TAXES**

Income taxes consist of the following:

	1973		1972	
	Current	Deferred	Current	Deferred
United States	\$ 51,000	\$4,237,000	\$2,590,000	\$ (1,515,000)
Foreign	6,528,000	1,976,000	4,521,000	—
State	144,000	—	440,000	—
	<u>\$6,723,000</u>	<u>\$6,213,000</u>	<u>\$7,551,000</u>	<u>\$ (1,515,000)</u>

Net investment tax credits (recaptures) reflected as a reduction (increase) of the current provision for U.S. income taxes were \$(51,000) in 1973 and \$714,000 in 1972.

In 1973, the overall tax rate increased to more than 48% principally due to higher effective foreign tax rates. The flow through of the investment tax credit reduced the effective tax rate below 48% in 1972.

**EARNINGS PER COMMON SHARE**

Earnings per common share are based on the average number of common shares outstanding during the year (9,704,435 in 1973 and 9,579,766 in 1972 adjusted for 5% stock dividends) and are calculated after preferred dividend requirements of \$1,322,000 in 1973 and 1972. There was no material potential dilution from the exercise of outstanding common stock options. The computation of earnings per common share assuming full dilution is not applicable since the effect of conversion of preferred stock would be anti-dilutive.

**STOCK OPTIONS**

At October 31, 1973, various officers and key employees held options granted under the 1971 Fluor Stock Option Plan to purchase 440,524 shares of common stock at prices ranging from \$16.85 to \$50.25 per share with a weighted average price of \$25.07. The Plan, approved by the shareholders, provides for grants of qualified and nonqualified options at prices equal to fair market value at date of grant. The options are generally exercisable one year after issuance and expire five years after date of grant for qualified options or ten years after date of grant for nonqualified options. In accordance with the terms of the 1971 Stock

Option Plan, certain holders of nonqualified options have the right to receive the excess of the market value of the shares exercisable over the aggregate option price thereof in cash or stock in lieu of exercising their options. Outstanding nonqualified options for 5,148 shares at \$50.25 issued on October 31, 1973, and 59,664 shares at \$49.32 issued on November 1, 1973, have such rights. For such shares and for any future issuance of similar nonqualified options, increases in the market value over the option price will be accounted for as compensation expense. The Plan had 749,215 shares authorized for grant and 296,156 available for grant at October 31, 1973. Fiscal 1973 transactions, including the 5% common stock dividend issued in March 1973, are summarized as follows:

	Assumed Pike Options		1971 Stock Option Plan
	Preferred	Common	Common
Balance November 1, 1972	4,358	31,113	357,910
Exercised	(430)	(3,069)	(12,535)
Expired	(3,928)	(29,152)	(6,011)
Granted, exercisable in fiscal 1974	—	—	83,585
5% stock dividend	—	1,108	17,575
Balance October 31, 1973	—	—	440,524
Exercisable at October 31, 1973	—	—	<u>356,939</u>

**EMPLOYEES' BENEFITS**

The Company and its subsidiaries have a noncontributory profit sharing plan, Fluor Employees' Trust Fund Plan, in addition to a Fluor Salaried Employees' Savings Investment Plan and several formal executive bonus plans. The aggregate contributions to these plans in 1973 and 1972 charged to operations were \$8,505,000 and \$7,868,000, respectively.

**PREFERRED STOCK**

**\$3.00 Series B Preferred.** Each share is entitled to one vote, is cumulative as to dividends and is convertible into 1.60 shares of common stock. Dividends have been paid or declared to September 30, 1973. Commencing April 1, 1974 each share is redeemable at the discretion of the Company at \$103 a share plus accrued dividends. 691,740 shares of common stock are reserved for the conversion privilege. Amounts due preferred shareholders upon involuntary liquidation are payable out of capital or surplus of any nature.



CONTINGENCIES AND COMMITMENTS

The Company is contingently liable for commitments and performance guarantees arising in the ordinary course of business. Claims arising from engineering and construction contracts have been made against the Company by customers and the Company has made certain claims against customers for costs incurred in excess of contract coverage. In the opinion of management, these claims, when resolved, will not result in a material effect on the consolidated financial statements or results of operations.

The Company's consolidated Federal income tax returns for the years 1964 through 1970 have been or are currently being examined by the Internal Revenue Service. Certain deficiencies have been asserted by the I.R.S. which the Company is contesting. In the opinion of management, the settlement of the contested deficiencies will not have a material effect on the Company's consolidated financial position or results of operations.

The Company is currently constructing an office building and offshore drilling equipment with estimated cost to complete of approximately \$40,000,000 at October 31, 1973.

ACQUISITION OF PIONEER SERVICE & ENGINEERING CO.

On August 8, 1973, the Company entered into an agreement with Pioneer Service & Engineering Co. whereby the Company has agreed to exchange 210,000 shares of its \$3.00 Series B Preferred Stock for all of Pioneer's outstanding common stock. Consummation of this transaction is contingent upon receipt of a favorable tax ruling from the Internal Revenue Service.

EVENT SUBSEQUENT TO THE DATE OF THE REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

On January 14, 1974, the Board of Directors declared a three-for-two stock split of the outstanding common stock, without reducing the par value thereof, effected by a 50% stock distribution to shareholders of record on January 24, 1974 and a \$.05 cash dividend after the stock split. Financial statements at October 31, 1973 have not been adjusted to give retroactive effect to the stock distribution; however, all future financial information and per share amounts will be adjusted to reflect the stock distribution. The effect of the stock distribution on the October 31, 1973, financial statements would be as follows:

	Common Stock		Additional Capital
	Shares	Amount	
Balance at October 31, 1973	9,725,744	\$6,079,000	\$103,657,000
Stock distribution	4,862,872	3,039,000	(3,039,000)
Balance at October 31, 1973, as restated	14,588,616	\$9,118,000	\$100,618,000

	Earnings per share		Shareholders' equity per share	
	Historical	Adjusted for stock distribution	Historical	Adjusted for stock distribution
1973	\$1.03	\$ .69	\$15.16	\$10.11
1972	.68	.45	14.19	9.46
1971	1.18	.79	13.57	9.05
1970	1.47	.98	12.58	8.39
1969	2.18	1.45	11.12	7.41

In addition, the Board of Directors is requesting the shareholders to approve an increase in authorized capital from 20,000,000 shares to 40,000,000 shares.

Report of Certified Public Accountants

Board of Directors and Shareholders  
Fluor Corporation

We have examined the accompanying consolidated balance sheet of Fluor Corporation and subsidiaries at October 31, 1973 and the related consolidated statements of earnings, shareholders' equity and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. Other independent accountants examined the consolidated financial statements for the preceding year.

In our opinion, the statements mentioned above present fairly the consolidated financial position of Fluor Corporation and subsidiaries at October 31, 1973 and the consolidated results of operations and changes in financial position 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

Los Angeles, California  
December 11, 1973

Consolidated Statement of Earnings

Years ended October 31, 1973 and 1972

	1973	1972
REVENUE	\$423,520,000	\$412,740,000
COSTS AND EXPENSES		
Cost of revenues	387,298,000	389,538,000
Corporate administrative and general expenses	9,867,000	8,192,000
Other expense—net	2,112,000	1,131,000
Total costs and expenses	399,277,000	398,861,000
EARNINGS BEFORE INCOME TAXES	24,243,000	13,879,000
INCOME TAXES	12,936,000	6,036,000
NET EARNINGS	\$ 11,307,000	\$ 7,843,000
EARNINGS PER COMMON SHARE	\$1.03	\$ .68

See Financial Review on pages 21, 22, 23 and 24.



*Consolidated Balance Sheet*

October 31, 1973 and 1972

1973

1972

## ASSETS

*Current Assets*

Cash	\$ 2,796,000	\$ 3,128,000
Marketable securities (at cost, which approximates market) and time deposits	60,860,000	20,068,000
Accounts receivable	50,988,000	31,671,000
Costs and estimated earnings in excess of billings on uncompleted contracts	13,754,000	20,956,000
Inventories—at lower of cost (average and first-in, first-out methods) or market	13,423,000	10,456,000
Other current assets	6,417,000	4,621,000
Total current assets	148,238,000	90,900,000

*Property, Plant and Equipment—at cost*

Land	8,056,000	8,672,000
Buildings and land improvements	22,877,000	24,500,000
Machinery and equipment	46,190,000	60,176,000
Drilling and marine equipment	77,262,000	86,485,000
	154,385,000	179,833,000
Less accumulated depreciation and amortization	69,081,000	73,703,000
	85,304,000	106,130,000

*Oil and Gas Properties—at cost*

Less accumulated depletion and depreciation	32,467,000	27,586,000
	13,272,000	12,007,000
	19,195,000	15,579,000

*Other Assets*

19,570,000	19,264,000
<u>\$272,307,000</u>	<u>\$231,873,000</u>

See Financial Review on pages 21, 22, 23 and 24.

1973

1972

## LIABILITIES AND SHAREHOLDERS' EQUITY

*Current Liabilities*

Accounts payable	\$ 25,446,000	\$ 15,951,000
Billings in excess of costs and estimated earnings on uncompleted contracts	22,380,000	17,722,000
Accrued liabilities	24,071,000	16,282,000
Current portion of long-term debt	1,546,000	6,002,000
Income taxes currently payable	5,675,000	4,405,000
Deferred income taxes	13,691,000	—
Total current liabilities	92,809,000	60,362,000

*Long-Term Debt due after one year*

8,549,000	9,874,000
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*Other Noncurrent Liabilities*

Deferred income taxes	10,462,000	12,593,000
Other	2,527,000	1,422,000
Total other noncurrent liabilities	12,989,000	14,015,000

*Contingencies and Commitments**Shareholders' Equity*

Capital stock		
Preferred—authorized 1,000,000 shares without par value; issued and outstanding in 1973—432,336 shares (liquidation preference \$43,233,600), and in 1972—440,569 shares (liquidation preference—\$44,056,900)	377,000	366,000
Common—authorized 20,000,000 shares of \$.62 1/2 par value; issued and outstanding in 1973—9,725,744 shares, and in 1972—9,234,318 shares	6,079,000	5,772,000
Additional capital	103,657,000	89,763,000
Retained earnings	47,847,000	51,721,000
Total shareholders' equity	157,960,000	147,622,000
	<u>\$272,307,000</u>	<u>\$231,873,000</u>



Consolidated Statement of Shareholders' Equity

Years ended October 31, 1973 and 1972

	Preferred Shares		Common Shares	Additional Capital	Retained Earnings
	Series A	Series B			
Balance November 1, 1971	\$340,000	\$366,000	\$5,122,000	\$ 80,289,000	\$54,984,000
Net earnings					7,843,000
5 % Stock dividend on common stock			275,000	9,509,000	(9,784,000)
Cash dividend on preferred (\$3.00 per share)					(1,322,000)
Conversion of 93,955 shares of preferred into 600,213 shares of common	(340,000)		375,000	(35,000)	
Balance October 31, 1972	—	366,000	5,772,000	89,763,000	51,721,000
Net earnings					11,307,000
5 % Stock dividend on common stock			289,000	13,570,000	(13,859,000)
Cash dividend on preferred (\$3.00 per share)					(1,322,000)
Conversion of 8,663 shares of preferred into 13,853 shares of common		(8,000)	8,000		
Exercise of stock options		19,000	10,000	324,000	
Balance October 31, 1973	\$ —	\$377,000	\$6,079,000	\$103,657,000	\$47,847,000

See Financial Review on pages 21, 22, 23 and 24.

Consolidated Statement of Changes in Financial Position

Years ended October 31, 1973 and 1972

	1973	1972
SOURCES OF FUNDS		
Net earnings	\$11,307,000	\$ 7,843,000
Add (deduct) items which did not require the use of working capital		
Depreciation, depletion and amortization	18,020,000	18,151,000
Provision for estimated losses on certain assets	2,500,000	—
Decrease in deferred income taxes	(2,131,000)	(1,515,000)
Funds provided from operations	29,696,000	24,479,000
Exercise of stock options	353,000	—
Decrease in investments	—	4,740,000
Net book value of property, plant and equipment and other assets sold or retired	22,905,000	5,575,000
Additions to long-term debt	—	1,292,000
Increase in other noncurrent liabilities	1,105,000	40,000
	54,059,000	36,126,000
DISPOSITIONS OF FUNDS		
Additions to property, plant and equipment	20,206,000	20,470,000
Additions to oil and gas properties	4,030,000	731,000
Reductions of long-term debt	1,325,000	7,860,000
Cash dividends paid on preferred stock	1,322,000	1,322,000
Increase in other assets	2,285,000	1,777,000
	29,168,000	32,160,000
INCREASE IN WORKING CAPITAL	\$24,891,000	\$ 3,966,000
CHANGES IN COMPONENTS OF WORKING CAPITAL INCREASE (DECREASE)		
Current assets		
Cash	\$ (332,000)	\$ (10,579,000)
Marketable securities and time deposits	40,792,000	6,888,000
Accounts receivable	19,317,000	(14,966,000)
Costs and estimated earnings in excess of billings on uncompleted contracts	(7,202,000)	(2,435,000)
Inventories	2,967,000	1,386,000
Other current assets	1,796,000	(1,353,000)
	57,338,000	(21,059,000)
Current liabilities		
Short-term bank loans	—	8,000,000
Accounts payable	(9,495,000)	9,997,000
Billings in excess of costs and estimated earnings on uncompleted contracts	(4,658,000)	5,301,000
Accrued liabilities	(7,789,000)	1,606,000
Current portion of long-term debt	4,456,000	(2,884,000)
Income taxes currently payable	(1,270,000)	3,005,000
Deferred income taxes	(13,691,000)	—
	(32,447,000)	25,025,000
INCREASE IN WORKING CAPITAL	\$24,891,000	\$ 3,966,000

See Financial Review on pages 21, 22, 23 and 24.



*Five-year Financial and Operating Summary* (Dollar amounts are in thousands, except per share amounts)

	1973	1972	1971	1970	1969
<b>EARNINGS AND DIVIDENDS</b>					
Revenue	\$ 423,520	\$412,740	\$613,875	\$513,438	\$434,638
Cost and expenses	399,277	398,861	588,882	484,245	400,790
Earnings before income taxes	24,243	13,879	24,993	29,193	33,848
Income taxes	12,936	6,036	12,712	14,480	16,751
Earnings before extraordinary items	11,307	7,843	12,281	14,713	17,097
Extraordinary items	—	—	—	—	3,518
<i>Net earnings</i>	<u>\$ 11,307</u>	<u>\$ 7,843</u>	<u>\$ 12,281</u>	<u>\$ 14,713</u>	<u>\$ 20,615</u>
Cash dividends paid on preferred stock	\$ 1,322	\$ 1,322	\$ 1,915	\$ 2,116	\$ 1,865
<i>Reinvested earnings</i>	\$ 9,985	\$ 6,521	\$ 10,366	\$ 12,597	\$ 18,750
<b>EARNINGS PER SHARE</b>					
Earnings per common share and common equivalent share					
Before extraordinary items	\$1.03	\$.68	\$1.18	\$1.47	\$1.77
Extraordinary items	—	—	—	—	.41
<i>Net earnings</i>	<u>\$1.03</u>	<u>\$.68</u>	<u>\$1.18</u>	<u>\$1.47</u>	<u>\$2.18</u>
Earnings per common share—assuming full dilution					
Before extraordinary items	\$1.03	\$.68	\$1.18	\$1.43	\$1.65
Extraordinary items	—	—	—	—	.34
<i>Net earnings</i>	<u>\$1.03</u>	<u>\$.68</u>	<u>\$1.18</u>	<u>\$1.43</u>	<u>\$1.99</u>
<b>DEPRECIATION, DEPLETION AND AMORTIZATION</b>					
	\$ 18,020	\$ 18,151	\$ 15,840	\$ 14,989	\$ 12,316
<b>FUNDS PROVIDED FROM OPERATIONS</b>	\$ 29,696	\$ 24,479	\$ 29,825	\$ 30,731	\$ 33,612
<b>GENERAL</b>					
New orders received during year	\$1,135,000	\$672,000	\$324,000	\$448,000	\$527,000
Backlog at end of year	\$1,383,000	\$698,000	\$439,000	\$792,000	\$874,000

*Earnings per share and shareholders' equity per share have been adjusted for 5% stock dividends in 1969 through 1973. Shareholders' equity per share assumes conversion of preferred shares at pre-established conversion rates.*

	1973	1972	1971	1970	1969
<b>FINANCIAL POSITION</b>					
Current assets	\$148,238	\$ 90,900	\$111,959	\$131,266	\$126,324
Current liabilities	(92,809)	(60,362)	(85,387)	(99,814)	(86,702)
Working capital	55,429	30,538	26,572	31,452	39,622
Property, plant and equipment—net	85,304	106,130	107,511	93,340	70,532
Oil and gas properties—net	19,195	15,579	15,964	15,562	13,927
Other assets	19,570	19,264	22,985	21,819	20,216
Noncurrent liabilities	(12,989)	(14,015)	(15,490)	(15,451)	(13,439)
<b>Total</b>	<u>\$166,509</u>	<u>\$157,496</u>	<u>\$157,542</u>	<u>\$146,722</u>	<u>\$130,858</u>
<b>EQUITY AND CAPITALIZATION</b>					
Long-term debt	\$ 8,549	\$ 9,874	\$ 16,441	\$ 16,486	\$ 17,465
Shareholders' equity	157,960	147,622	141,101	130,236	113,393
<b>Total capitalization</b>	<u>\$166,509</u>	<u>\$157,496</u>	<u>\$157,542</u>	<u>\$146,722</u>	<u>\$130,858</u>
<b>SHARES OUTSTANDING</b>					
Preferred					
Series A	—	—	93,925	155,781	157,662
Series B	432,336	440,569	440,599	439,971	343,933
Common	9,725,744	9,234,318	8,194,376	7,389,796	7,026,880
<b>STATISTICS</b>					
Ratio of current assets to current liabilities	1.6 to 1	1.5 to 1	1.3 to 1	1.3 to 1	1.5 to 1
Percent of total capitalization					
Long-term debt	5.1	6.3	10.4	11.2	13.3
Shareholders' equity	94.9	93.7	89.6	88.8	86.7
Shareholders' equity per share	\$15.16	\$14.19	\$13.57	\$12.58	\$11.12
Percent of net earnings to average equity	7.4	5.4	9.1	12.1	20.2



Officers

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J. Robert Fluor	<i>Chairman and Chief Executive Officer (1946)</i>
Melvin A. Ellsworth	<i>President (1940)</i>
Warren F. Kane	<i>Senior Vice President and President of Fluor Utah, Inc. (1961)</i>
Ross A. McClintock	<i>Senior Vice President and President of Fluor Drilling Services, Inc. (1969)</i>
Walter P. Rozett	<i>Senior Vice President—Finance (1972)</i>
John T. Stiefel	<i>Senior Vice President and President of Fluor Power, Inc. (1972)</i>
David S. Tappan, Jr.	<i>Senior Vice President and President of Fluor Engineers and Constructors, Inc. (1952)</i>
James L. Tathwell	<i>Senior Vice President and President of Fluor Ocean Services, Inc. (1941)</i>
Richard B. Humbert	<i>Vice President, Law and Secretary (1956)</i>
Harold J. Neher	<i>Vice President and Assistant to the President (1952)</i>
Jay L. Reed	<i>Vice President, Administration (1949)</i>
Ronald G. Cullis	<i>Controller (1969)</i>
Nad A. Peterson	<i>General Counsel (1967)</i>
James R. Stites	<i>Treasurer (1967)</i>

Directors

J. Robert Fluor	<i>Chairman of the Board (1946)</i>
Thomas P. Pike	<i>Vice Chairman of the Board (1969)</i>
Melvin A. Ellsworth	<i>President (1956)</i>
Richard B. Humbert	<i>Vice President (1973)</i>
Sibrand Jurriaans	<i>Partner of Pierson, Heldring &amp; Pierson (1964)</i>
Warren F. Kane	<i>Senior Vice President (1970)</i>
Ross A. McClintock	<i>Senior Vice President (1969)</i>
Ernest Moncrief	<i>Vice President, Fluor Engineers and Constructors (1967)</i>
Loren K. Olson	<i>Partner of Morgan, Lewis &amp; Bockius (1962)</i>
John K. Pike	<i>President, Kilsby Tubesupply Company (1969)</i>
Walter P. Rozett	<i>Senior Vice President (1972)</i>
Arthur C. Sheffield	<i>President, Fluor Europe, Inc. (1971)</i>
David S. Tappan, Jr.	<i>Senior Vice President (1965)</i>
James L. Tathwell	<i>Senior Vice President (1966)</i>
Charles Weiner	<i>Partner, Texas Crude Oil Company (1969)</i>

NOTE: Figures in parentheses indicate the year each Officer joined the Corporation, or year each Director was elected to the Board.

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