

# The Fluor Corporation, Ltd. Annual Report: 1962







Fluor's computerized techniques provide a far greater measure of analysis and control in engineering-construction activities. Technician (above) runs an IBM 1401, a high-speed computer for accounting and scheduling work.

## THE FLUOR CORPORATION, LTD.

### ANNUAL REPORT: 1962

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The Technical Computer Group at Fluor uses a digital computer (right) to solve a wide range of engineering problems. Fluor's computational procedures are exceptionally well conceived and executed, according to Bonner & Moore Associates, a technical consultant. The Corporation has developed an outstanding library of well-defined computer programs for the analysis and the design of processes, equipment and structures.







The officers of the Corporation who report to President J. R. Fluor are shown in the photograph above. Left to right are: D. M. Morgan, Controller; F. E. Fischer, Secretary-Treasurer; J. L. Reed, Vice President—Administration; Mr. Fluor; M. A. Ellsworth, Executive Vice President—Engineering and Construction; J. D. Harris, Vice President—General Counsel; R. W. Kerr, Executive Vice President—Manufacturing; and H. J. Neher, Assistant to the President.

### REPORT FROM THE PRESIDENT

I welcome this opportunity as your new president to discuss 1962 activities and 1963 prospects. Unfortunately, I must report bad news with the good in this, my first yearly review.

Results for the fiscal year were far short of expectations and were extremely disappointing to management. Earnings failed to keep pace with sales, which set a record high of \$173,937,349.

In part, our performance reflected mistakes in judgment. However, some of the setbacks Fluor suffered were caused by circumstances beyond our control. You will recall our communications in 1962 regarding the effects of the "profit-squeeze." Stiff domestic competition compelled us to reduce profit margins on quotations for new work and to assume greater risks.

Fluor's situation was further complicated by difficulties encountered on three projects. A severe winter delayed completion of one plant. A labor walkout (not directed at Fluor) stalled construction on another facility. Excessive customer interference on the third project was costly.

These problems, plus disappointing results from our subsidiaries, were the significant factors in our poor per-

formance. We are thoroughly reviewing all of our operations, and corrective action is being taken to assure better solutions of problems within our control.

Although we ran further deficits in 1962 preparing overseas subsidiaries to take advantage of the worldwide boom in capital spending, Fluor's venture in international markets is beginning to bear fruit. It is significant that we are performing assignments on six continents.

Our English and Dutch firms started fiscal 1963 with substantial backlogs as the result of an expanding flow of international orders. With new facilities and expert staffs, these subsidiaries are superbly fit to carry out the major projects on their books.

We expect these companies to contribute to profits this year and beyond. Moreover, we will be able to use tax credits accrued by these firms for losses they sustained during the past two years.

In terms of diversification, I should mention that our acquisition of part ownership in the William J. Moran Company is proving beneficial. Last spring, our affiliate received an \$80-million construction management con-

### HIGHLIGHTS OF THE YEAR

	1962	1961
Sales . . . . .	\$173,937,349	\$128,821,589
Net earnings . . . . .	463,089	2,391,553
Per share . . . . .	.56	2.97
As a per cent of shareholders' average equity . . . . .	2.4	13.4
Income taxes . . . . .	994,069	2,037,265
Net working capital . . . . .	11,824,694	11,360,982
Shareholders' equity at year-end . . . . .	19,019,264	18,988,559
Per share . . . . .	22.94	23.58
Shares outstanding at year-end . . . . .	828,745	805,277
Number of shareholders . . . . .	5,797	5,165
Backlog, October 31 . . . . .	127,000,000	125,000,000

tract for the Allegheny Center urban renewal project in Pittsburgh, Pennsylvania. Recently, the Portland Center Redevelopment Corporation, in which Fluor and Moran are major stockholders, was awarded a contract to develop a \$56-million high-rise residential and commercial complex in downtown Portland, Oregon.

I expect the engineering-construction industry to remain highly competitive in this country throughout 1963, but I feel that Fluor is much better prepared to meet this challenge. Capital spending may continue to lag in the petroleum refining business. Nonetheless, one of the largest and most significant contracts awarded to Fluor during the fiscal year was for the engineering and construction of the major processing units of a 100,000-barrels-per-day refinery. This facility for Standard Oil Company (Kentucky) is the most impressive installation to be constructed in the U.S. in half a decade.

It is encouraging, too, that our backlog in domestic and foreign petroleum refining work has increased from 12 per cent to 37 per cent during the last 12 months. In

passing, let me point out that the composition of our total backlog at year-end was quite different from its make-up early in fiscal 1962. Government work comprised approximately 40 per cent of our backlog a year ago, compared with 17 per cent now.

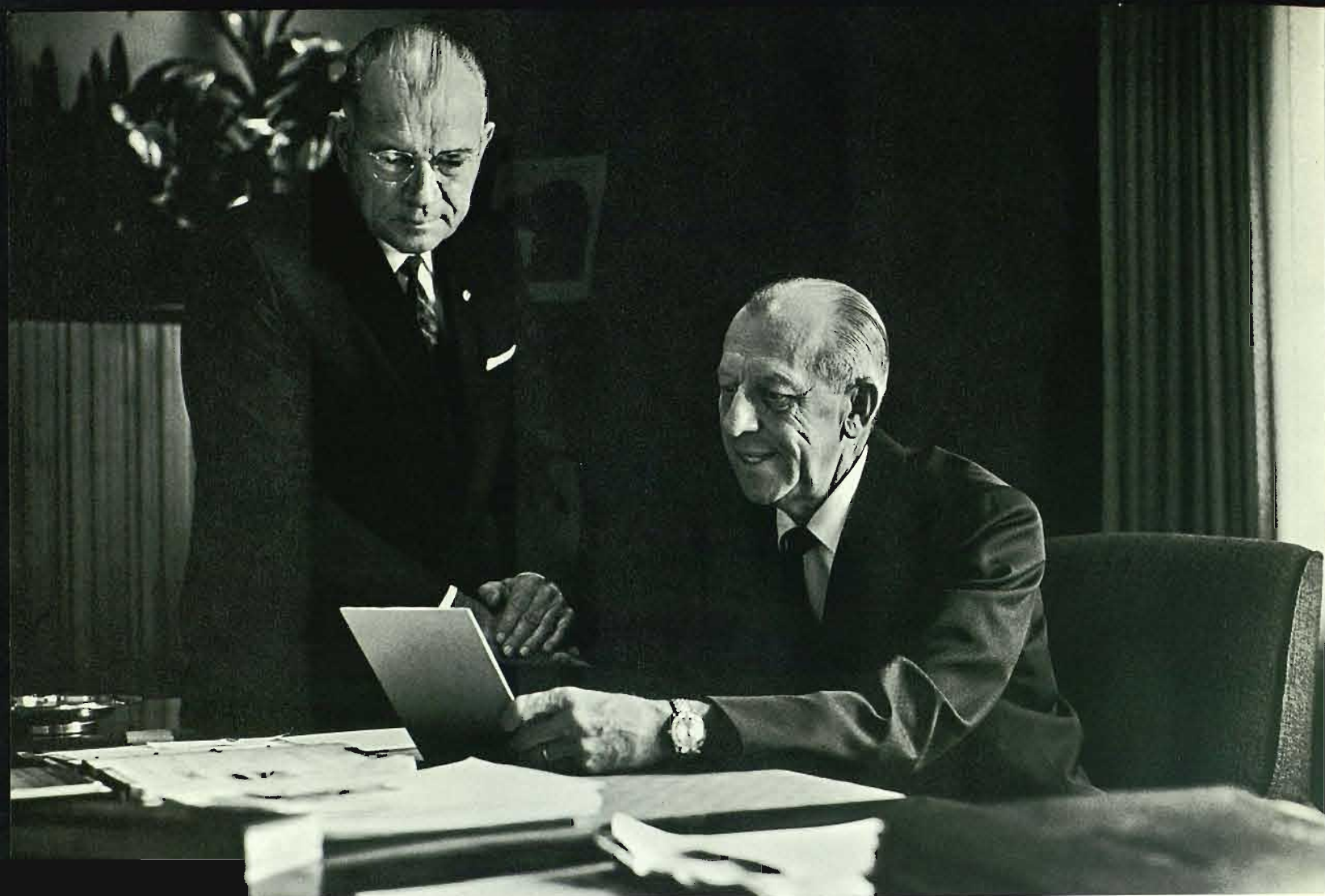
Also bear in mind that Fluor is a leading contractor for the dynamic chemical/petrochemical industry. We look to this expanding business as a major source of new orders, both in the U.S. and throughout the world.

Our mood is one of determination and realistic optimism. We can now hope and expect to do a better job of foreseeing and overcoming the problems that lie ahead.

If we succeed — and we shall — 1963 will be a year of progress and improved profits.

December 10, 1962                      PRESIDENT





Chairman of the Board J. S. Fluor (seated) and Vice Chairman D. W. Darnell.

## OPERATING RESULTS

**Consolidated net sales of \$173,937,349 were recorded** for the fiscal year ended October 31, 1962, as against the \$128,821,589 for the comparable period in 1961. Net earnings came to \$463,089, equivalent to 56 cents a share on the 828,745 shares outstanding at year-end. Net earnings in 1961 were \$2,391,553, or \$2.89 a share, adjusted to the same number of shares.

New orders received in 1962 totaled \$167,000,000, compared with \$165,000,000 in 1961 and \$136,000,000 in 1960. Fluor's backlog of uncompleted work at October 31 was \$127,000,000. The backlog stood at \$125,000,000 one year earlier.

On December 10, the Board of Directors declared a five per cent stock dividend, payable on March 11, 1963 to shareholders of record February 11, 1963. It was the second consecutive year for such a distribution.

Federal and foreign income taxes for 1962 were \$994,069. Payroll, state, local, and other taxes were \$1,873,109. Total taxes of \$2,867,178 were equivalent to \$3.46 per share of capital stock. Fluor's total tax in 1961 was \$3,660,345 or \$4.42 per share.

Property, plant and equipment expenditures totaled \$932,667 in 1962, compared with \$1,453,416 during 1961. Shareholders' equity was \$19,019,264 at October 31, as against \$18,988,559 the year before. Book value of each share of stock was \$22.94 compared with \$22.91 in 1961, adjusted to the equivalent number of shares of capital stock.

**Early in fiscal 1962, management felt** that the Corporation would have a good year. It was reasoned, however, that earnings would not quite match Fluor's historic average because a high percentage of the backlog was in Government projects, whose profit return is lower than work performed for private industry.

The Corporation reported net earnings of \$333,271 (40 cents a share) on sales of \$38,952,508 for the first quarter. The second quarter showed a net loss of \$322,569 on sales of \$45,142,039, leaving a net profit of only \$10,702 for six months' business. The loss was caused by severe setbacks on three major industrial construction projects.

Third quarter sales of \$45,476,869 generated net earnings of \$203,956, or 25 cents a share. The trend continued in the fourth quarter, when sales of \$44,365,933 produced net earnings of \$248,431, equivalent to 30 cents a share.

**J. S. Fluor was elected Chairman of the Board of Directors** in March 1962. He was succeeded as President and Chief Executive Officer by his nephew, Executive Vice President J. R. Fluor.

At the same time, D. W. Darnell became Vice Chairman of the Board, and M. A. Ellsworth was named Executive Vice President — Engineering and Construction.

Frank G. Breyer and H. Calvin White retired from the Board. The vacated directorships were filled by Byron Marquis, President of Fluor-Singmaster & Breyer, Inc., and by Loren K. Olson, Washington, D.C., attorney and former member of the U.S. Atomic Energy Commission.

Later in the year, H. J. Neher was named Assistant to President Fluor and was assigned to control the Corporation's organizational structuring and long-range business planning. His duties include conducting studies in diversification, acquisitions and possible mergers.

J. L. Reed was appointed to the newly created position of Vice President — Administration just after the close of the fiscal year. A number of staff services such as Public Relations and Employee Relations were marshaled under him in order to consolidate operations, while providing a framework for obtaining additional effectiveness in these functions.

**Other changes made within Fluor's management** alignment during the second half of fiscal 1962 consolidated sales, engineering and procurement functions.

D. S. Tappan, Vice President — Sales, was placed in charge of the Corporation's overall sales program. Reporting to him are International Sales Vice President G. H. Dieter and his staff, as well as the sales managers of the three U.S. regional offices and of the subsidiaries in Canada, England and Holland.

J. L. Tathwell was made Vice President — Subsidiaries, and he now controls the operations of Fluor's international offices and of Fluor-Singmaster & Breyer, Inc.

J. G. Marshall, Vice President — General Engineering, assumed additional responsibilities. Now reporting to him are: Lee Van Horn, Vice President — Process Engineering and Development; E. C. Austin, Vice President — Procurement; and Ernest Moncrief, Vice President of Project and Design Engineering.

## ENGINEERING-CONSTRUCTION DIVISIONS

**Sales for the Engineering-Construction Divisions** totaled \$141,903,429 in 1962, compared with \$88,420,438 in 1961. New orders received amounted to \$124,000,000, as against \$120,000,000 the previous year.

During the fiscal year, Standard Oil Company (Kentucky) awarded a total-responsibility contract to Fluor for the major processing units of a 100,000-barrels-per-

## THE BACKLOG MIX

	4-30-61	10-31-61	4-30-62	10-31-62
Chemical / Petrochemical	55%	44%	40%	38%
Government	5	34	31	17
Petroleum	24	12	24	37
Power	6	4	3	5
Natural Gas / Gasoline	5	3	—	—
Manufactured Products	5	3	2	3
BACKLOG (In Millions)	\$110	\$125	\$170	\$127

day refinery. The grass-roots facility, which is currently being installed at Pascagoula, Mississippi, is by far the largest project of its type to be undertaken within the U.S. in recent years.

Fluor received a \$16-million contract from Korea Oil Corporation for another grass-roots refinery. The 35,000-barrels-per-stream-day plant will provide Korea with its first domestic source of oil by-products as well as feedstocks for a growing petrochemical industry.

Hawkeye Chemical Company awarded an impressive contract for a nitrogen products plant, and Atlantic Refining Company awarded a contract worth approximately \$5-million for a crude distillation unit. The Corporation also received an award for a privately owned helium recovery plant from Cities Service Helix, Inc.

Another contract was awarded to Fluor by Sinclair Oil & Gas Company for a carbon dioxide removal plant. It is the fourth unit to be designed according to the Fluor Solvent Treating Process. The Corporation completed plants based on the same process for Standard Oil Company of California and for Wintershall A.G. of West Germany in 1962.

Early in the fiscal year, Fluor was chosen by the U.S. Atomic Energy Commission to construct the world's largest nuclear testing reactor. Congress authorized \$40-million for the Advanced Test Reactor project at the National Reactor Testing Station in Idaho.

## The divisions completed 15 projects in fiscal 1962.

Among the jobs that were concluded was a polyethylene plant for Rexall Drug & Chemical Company, a facility now producing 120-million pounds of plastic a year through a new polymerization process.

Fluor completed work on a gasoline anti-knock additives plant for Nalco Chemical Company. Also concluded, under contract with General Dynamics/Astronautics, was the installation of ground-support equipment for Atlas-F launching complexes at Altus Air Force Base in Oklahoma.

In 1962, the Corporation essentially finished Phase 2 and Phase 2-A construction of Titan II missile sites in Arizona. Two contracts with the U.S. Army Corps of Engineers covered \$42.6-million worth of services.

Changes ordered during the course of the project increased the amount of work Fluor performed. As a consequence, the Corporation filed claims to recover sub-



stantial expenses not included in the original contracts. The claims were not settled by fiscal year-end, however.

The past year was characterized by the further development of electronic computing programs for the solution of engineering, scheduling and accounting problems.

Fluor has used its own computer for a number of years in engineering procedures. A range of computer programs has been created for the design and analysis of processes, processing equipment, and industrial structures. Several programs employ premade drawings and data sheets, which are detailed as computer printout.

For example, foundation design can be completed after 30 minutes of an engineer's time and a computer run of only 10 minutes. It once required 10-16 manual hours. Vessel design now takes 20 minutes of an engineer's time and 20 minutes of computer running time, versus a 10-hour manual operation.

A year ago, Fluor acquired an IBM 1401, a machine which can print information up to a rate of 600 lines per minute. This computer gave accounting new dimensions of speed, accuracy and analysis. Over 165 computerized accounting programs are in use today.

The computer also made possible the Fluor Analytical Scheduling Technique (FAST), an adaptation, which Fluor developed, of the Critical Path Method. FAST precisely coordinates, then evaluates the progress of interdependent design, procurement and construction activities.

The Corporation's computing capabilities were recently studied by Bonner & Moore Associates. The technical consultant reported that Fluor's computing operations were of first-class quality.

In the last month of the fiscal year, U.S. District Judge Michael L. Igoe signed a judgment vindicating Fluor in its eight-year dispute with Illinois Power Company.

The litigants had contested the performance of a contract under which Fluor constructed a turbine-generator unit at the utility's Wood River Power Plant in Illinois. Fluor filed suit when Illinois Power refused to settle a final invoice.

Judge Igoe ordered the power company to pay Fluor's claim, dismissed an Illinois Power counterclaim, and assessed that company for all court costs.

#### FLUOR PRODUCTS COMPANY

Fluor Products Company recorded net billings of \$10,646,330, only \$119 less than the previous year.

Prices were severely depressed during the year in both cooling towers and glued-laminated roof structures, the principal products. Had they remained at 1961 levels, an increase would have been shown in earnings. As it was, the Company just failed to break even.

Five of the final six months of the year were profitable, however. The fiscal year ended with the heaviest backlog of cooling tower proposals in more than two years.

The roof structures business was seriously retarded early in the year by a four-month construction workers' strike in Northern California. As the year ended, this phase

of the business was gathering momentum. Increasing inquiries and orders for new business indicated that greater volume could be expected in 1963.

**Completion of a new cooling-tower test facility** last January culminated a major, four-year building program at the Santa Rosa, California, location.

The roof structures facility is now the equal of any in the country. During one week, an average of more than 66,000 board feet was processed daily, a new production record for the plant. Total production for the year was more than 10-million board measure, also a new high.

At the close of the year, Fluor Products Company, Inc. was established as a separate but wholly owned subsidiary. This step was taken to give Fluor's manufacturing arm more freedom and flexibility of operations.

Substantial inventory reductions, tight credit controls and the conclusion of the major capital expenditure programs left the Company in excellent financial condition and no longer a cash drain on the parent company.

**Officers of the new corporation are the same** as the former division, except for the elevation of C. R. LeMenager to Vice President — Industrial and Public Relations, and of M. P. Riedenbach to Secretary-Treasurer. R. W. Kerr is President of the new firm. Earlier in the fiscal year, he was also made Executive Vice President — Manufacturing



Vice presidents who report to M. A. Ellsworth are (left to right): J. L. Tathwell, Subsidiaries; J. G. Marshall, General Engineering; D. S. Tappan, Sales; and W. P. Downey, Construction.

of the parent company. D. H. White is Senior Vice President of Fluor Products Company, Inc., J. W. Hubenthal is Vice President — Sales, and N. L. Bailiff is Vice President — Engineering and Manufacturing.

The new subsidiary has set substantial goals in 1963 for both sales and earnings. Incoming orders indicate both are attainable.

#### SUBSIDIARIES

**Fluor-Singmaster & Breyer, Inc.**, the Corporation's New York subsidiary, experienced a financially disappointing year as the result of a lighter-than-normal work load at too low a profit level.

During the year, Fluor-Singmaster & Breyer completed a propylene oxide plant for Wyandotte Chemicals Corporation which met guaranteed high purity product when it went on stream.

Work on a phosphoric acid plant was successfully concluded for the Austin Company. The facility was designed according to a Fluor-Singmaster & Breyer process, which largely eliminates scale formation. The firm also completed engineering and construction of a fertilizer plant expansion in Kansas for Farmers Chemical Company.

Changes were made in the operation of The Fluor Corporation of Canada, Ltd. in fiscal 1962. Project management, accounting, engineering, purchasing, and con-

struction functions are being handled for the Canadian subsidiary through Fluor's U. S. offices.

The Fluor Corporation of Canada, Ltd. will continue as a subsidiary company, with sales and management operating from Toronto, Montreal and Calgary.

**Fluor Engineering and Construction Co., Limited** of London, England, headed into the new fiscal year with a substantial increase in backlog and new orders.

The English company completed a \$5-million catalytic hydrodesulfurization and reforming unit at Abadan, Iran. The contract was with Iranian Oil Refining Company, which recently awarded the subsidiary a project for three copper chloride kerosene treater units.

Engineering, drafting and procurement phases of a \$16-million chemical plant for Svenska Esso A.B. at Stenungsund, Sweden, are over 90 per cent complete. Construction is proceeding at a good pace, with the job scheduled for completion in mid-1963.

Last year, Fluor Engineering and Construction Co. was awarded a contract by Pfizer Limited for a propylene oxide and polyether plant at Baglan Bay, South Wales.

The subsidiary is also responsible for the project management, procurement and detailed engineering of a \$7-million butadiene-styrene complex to be constructed for South African Coal Oil & Gas Corporation, Ltd.

Similarly, the subsidiary is performing the manage-



ment, procurement and detailed engineering of a \$6-million synthetic rubber plant to be constructed in South Africa for the Polymer Corporation.

The Corporation's Dutch subsidiary, Fluor-Schuytlot N.V., showed significant gains in new orders toward the close of 1962 which presented an encouraging backlog picture for the firm at the start of the new fiscal year.

Important projects received by Fluor-Schuytlot during 1962 included a \$9-million polyethylene plant for Rumianca S.p.A. (to be located on the Italian island of

Sardinia), and a major petrochemical facility for Nederlandsche Dow Maatschappij N.V.

The latter plant represents the first major project in Holland for which Fluor-Schuytlot has taken full responsibility for engineering, procurement and construction. It is also the largest assignment ever undertaken by the Dutch company.

As its work load increases during the coming year, the subsidiary expects to improve its profits considerably by lowering overhead costs while increasing the effectiveness of its facilities and personnel.

Vice presidents who report to J. G. Marshall are (left to right): Lee Van Horn, Process Engineering and Development; E. C. Austin, Procurement; and Ernest Moncrief, Project and Design Engineering.



THE FLUOR CORPORATION, LTD. AND SUBSIDIARIES

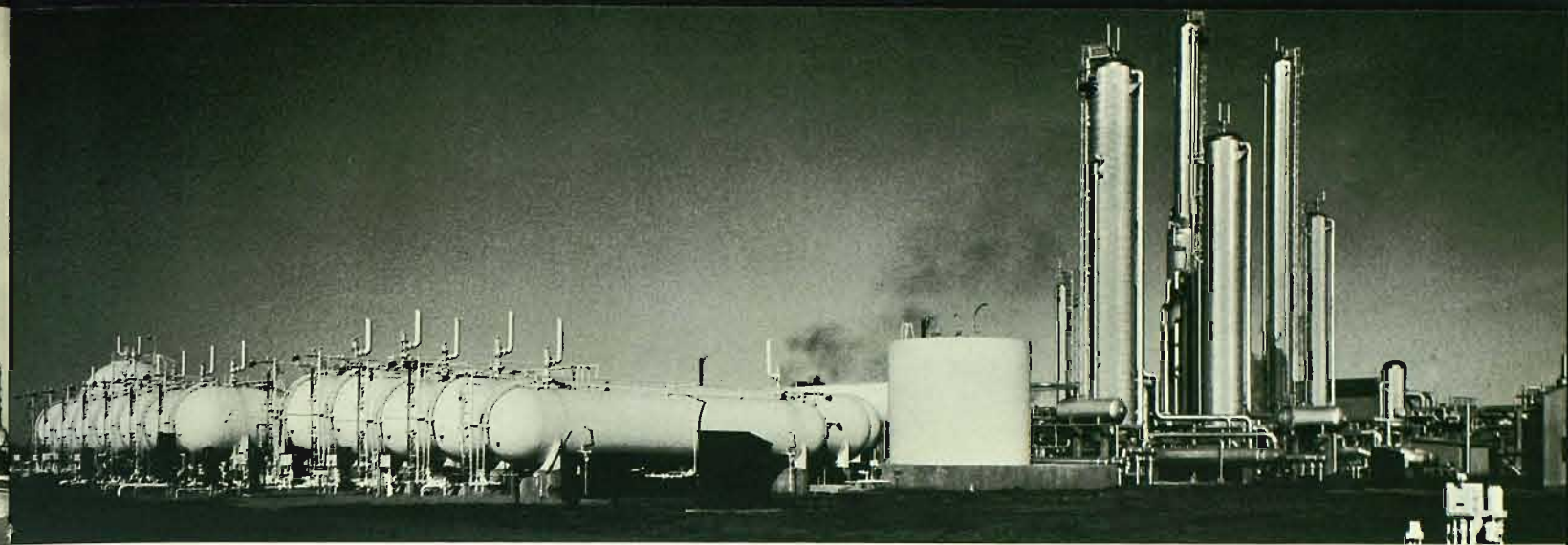
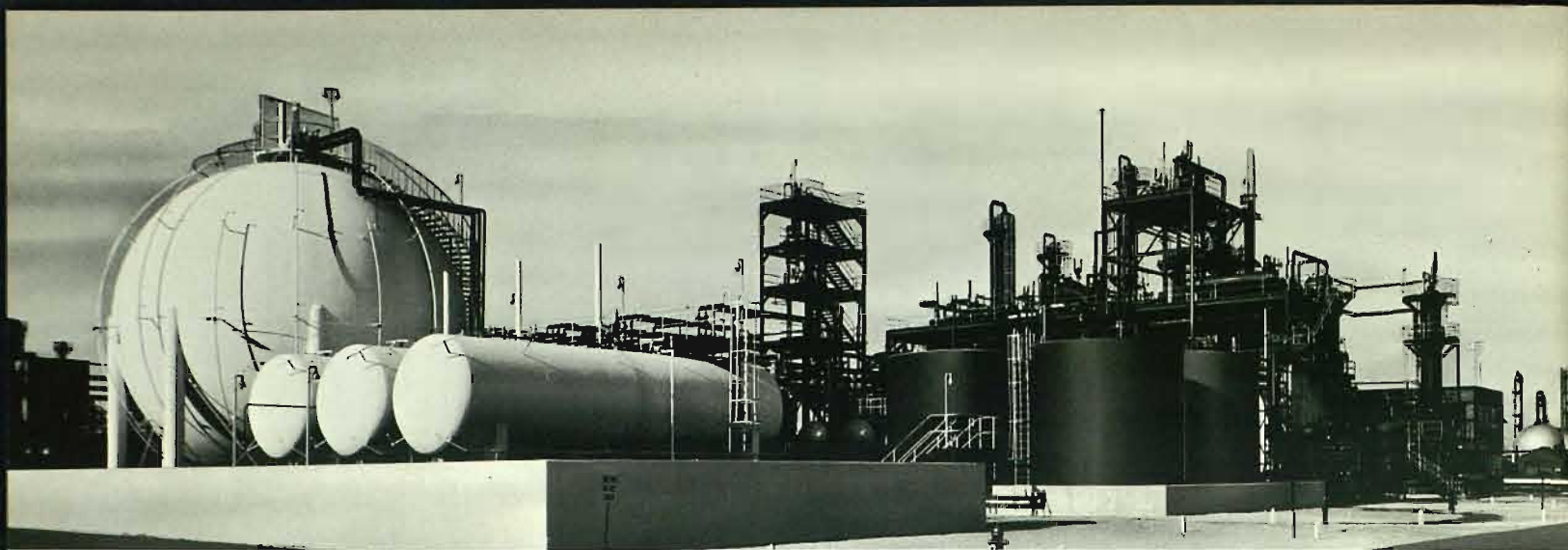
CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS

Years ended October 31, 1962 and 1961

	1962	1961
<b>REVENUE</b>		
Engineering and construction revenue—including unbilled charges on incompleted contracts . . . . .	\$163,165,170	\$118,049,643
Product sales . . . . .	10,772,179	10,771,946
Interest and other revenue . . . . .	662,410	1,453,132
	<u>174,599,759</u>	<u>130,274,721</u>
<b>COSTS AND EXPENSES</b>		
Cost of engineering and construction revenue . . . . .	158,845,354	111,388,714
Cost of product sales . . . . .	9,672,107	9,795,526
Selling, research and administrative expenses . . . . .	4,345,848	4,142,157
Interest on indebtedness . . . . .	313,062	327,938
Other expenses . . . . .	197,207	128,175
	<u>173,373,578</u>	<u>125,782,510</u>
Earnings before income taxes and minority interests . . . . .	1,226,181	4,492,211
<b>FEDERAL AND FOREIGN INCOME TAXES</b> . . . . .	994,069	2,037,265
	<u>232,112</u>	<u>2,454,946</u>
<b>MINORITY INTERESTS IN NET EARNINGS (LOSS) OF SUBSIDIARY</b> . . . . .	(230,977)	63,393
<b>NET EARNINGS</b> . . . . .	463,089	2,391,553
<b>RETAINED EARNINGS—beginning of year</b> . . . . .	9,860,078	7,687,697
	<u>10,323,167</u>	<u>10,079,250</u>
<b>REDEMPTION OF MINORITY INTEREST STOCK OF SUBSIDIARY</b> . . . . .	75,676	219,172
<b>5% CAPITAL STOCK DIVIDEND</b> —at approximate market value; 40,263 shares . . . . .	1,147,495	—
<b>REDUCTION OF CARRYING VALUE OF CANADIAN NET ASSETS DUE TO EXCHANGE RATES</b> . . . . .	93,158	—
	<u>1,316,329</u>	<u>219,172</u>
<b>RETAINED EARNINGS—end of year</b> . . . . .	<u>\$ 9,006,838</u>	<u>\$ 9,860,078</u>
Included above in costs and expenses		
Depreciation and amortization . . . . .	\$ 1,031,188	\$ 847,001
Contribution to employees' benefit trust funds . . . . .	701,659	1,135,655

The accompanying notes are an integral part of these statements.





## THE FLUOR CORPORATION, LTD. AND SUBSIDIARIES

ASSETS	1962	1961
<b>CURRENT ASSETS</b>		
Cash . . . . .	\$ 4,839,306	\$ 7,498,853
Notes receivable . . . . .	935,090	2,199,826
Accounts receivable . . . . .	8,021,534	11,146,962
Refundable taxes on income . . . . .	359,843	63,791
Unbilled charges on incompletd contracts . . . . .	14,642,978	5,577,792
Inventories—at the lower of cost (determined by the average method) or market		
Raw materials, purchased parts and supplies . . . . .	810,710	1,063,324
Finished goods and work in process . . . . .	1,204,713	1,475,635
Prepaid insurance, taxes and deposits . . . . .	433,686	440,550
Total current assets . . . . .	31,247,860	29,466,733
<b>PROPERTY, PLANT AND EQUIPMENT—AT COST</b>		
Land . . . . .	160,398	160,398
Buildings and land improvements . . . . .	4,881,896	4,893,494
Machinery and equipment . . . . .	8,509,264	8,086,947
Construction in process . . . . .	73,120	4,344
Leasehold improvements . . . . .	495,822	500,915
	14,120,500	13,646,098
Less accumulated depreciation and amortization . . . . .	7,754,535	7,116,496
	6,365,965	6,529,602
<b>OTHER ASSETS</b>		
Notes and accounts receivable . . . . .	3,789,676	5,605,629
Investments . . . . .	393,610	202,198
Patents, taxes and sundry . . . . .	641,999	595,701
	4,825,285	6,403,528
	\$42,439,110	\$42,399,863

The accompanying notes are an integral part of these balance sheets.

## CONSOLIDATED BALANCE SHEETS OCTOBER 31, 1962 AND 1961

LIABILITIES	1962	1961
<b>CURRENT LIABILITIES</b>		
Notes payable . . . . .	\$ 2,434,722	\$ 400,000
Accounts payable . . . . .	8,685,835	8,649,605
Customers' deposits and advance payments . . . . .	3,922,655	4,643,797
Income taxes . . . . .	1,007,811	1,764,560
Accrued liabilities . . . . .	3,372,143	2,647,789
Total current liabilities . . . . .	19,423,166	18,105,751
<b>NONCURRENT LIABILITIES</b>		
Notes payable—noncurrent portion . . . . .	3,486,111	4,155,555
<b>DEFERRED INCOME</b>		
Unearned fees on engineering and construction contracts . . . . .	145,235	380,905
Gain on installment sale of property . . . . .	119,046	143,366
	264,281	524,271
<b>MINORITY INTEREST IN SUBSIDIARIES</b> . . . . .	246,288	625,727
<b>STOCKHOLDERS' EQUITY</b>		
Capital stock—authorized, 2,000,000 shares of \$2.50 par value. Issued: 1962 — 849,545 shares; 1961 — 805,277 shares. Outstanding: 1962—828,745 shares; 1961—805,277 shares . . . . .	2,123,863	2,013,192
Capital contributed in excess of par value of capital stock . . . . .	8,215,713	7,115,289
Retained earnings . . . . .	9,006,838	9,860,078
	19,346,414	18,988,559
Less 20,800 shares reacquired and held in treasury—at cost . . . . .	327,150	—
	19,019,264	18,988,559
	\$42,439,110	\$42,399,863



# SOURCE AND DISPOSITION OF THE FLUOR REVENUE DOLLAR

	Amount (in thousands)		Per Cent	
	1962	1961	1962	1961
<b>SOURCE</b>				
Petroleum and Natural Gas Industries	\$ 47,507	\$ 41,267	27.2%	31.7%
Chemical Industry	38,696	52,249	22.2	40.1
Power Industry	1,915	5,007	1.1	3.8
Government Projects	75,047	18,957	43.0	14.6
	163,165	117,480	93.5	90.2
Manufactured Products	10,772	10,772	6.2	8.3
Miscellaneous	663	2,023	0.3	1.5
	<u>\$174,600</u>	<u>\$130,275</u>	<u>100.0%</u>	<u>100.0%</u>
<b>DISPOSITION</b>				
Purchased materials and services	\$117,805	\$ 78,356	67.4%	60.1%
Wages, salaries and contributions to employees' benefit trust funds	51,471	43,835	29.5	33.7
Depreciation and maintenance	1,715	1,641	1.0	1.3
Taxes	2,867	3,660	1.6	2.8
Minority interests and miscellaneous	279	391	0.2	0.3
Reinvested earnings	463	2,392	0.3	1.8
	<u>\$174,600</u>	<u>\$130,275</u>	<u>100.0%</u>	<u>100.0%</u>

## ALEXANDER GRANT & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

1541 WILSHIRE BOULEVARD

LOS ANGELES 17, CALIFORNIA

Board of Directors and Shareholders  
The Fluor Corporation, Ltd.

We have examined the consolidated balance sheets of THE FLUOR CORPORATION, LTD. (a California corporation) and its subsidiaries as of October 31, 1962 and 1961, and the related statements of earnings and retained earnings for the years then ended. Our examinations, which did not include the accounts of certain foreign subsidiaries, were 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. The accounts of foreign subsidiaries, which have not been examined by us, are included in the accompanying consolidated statements on the basis of reports prepared by other accountants.

In our opinion, based upon our examinations and the reports of other accountants, the accompanying consolidated balance sheets and statements of earnings and retained earnings present fairly the financial position of The Fluor Corporation, Ltd. and its subsidiaries at October 31, 1962, and October 31, 1961, and the results of their operations for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Los Angeles, California  
December 12, 1962

*Alexander Grant & Company*

## NOTES TO FINANCIAL STATEMENTS October 31, 1962 and 1961

**PRINCIPLES OF CONSOLIDATION** — The consolidated financial statements include the accounts of The Fluor Corporation, Ltd. and its subsidiaries. All the subsidiaries are wholly owned except Fluor-Singmaster & Breyer, Inc. and Fluor-Schuytlot N. V., which are owned 63% and 75%, respectively, by The Fluor Corporation, Ltd.

All ascertainable 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 consolidated retained earnings with the exception that an excess of the company's investment over its equity in the net assets of the following companies has been included in "Other Assets" in the consolidated balance sheets.

	1962	1961
Fluor-Schuytlot N. V.	\$151,812	\$151,812
Fluor-Singmaster & Breyer, Inc.	50,931	22,019
	<u>\$202,743</u>	<u>\$173,831</u>

**ACCOUNTING TREATMENT OF ENGINEERING AND CONSTRUCTION CONTRACTS** — The company follows the general principle of recognizing income on engineering and construction contracts on the percentage of completion method in the proportion that aggregate costs incurred bear to total estimated costs of the work being performed under the contract. 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.

**INCOME TAXES** — The company and its subsidiaries have provided for all known United States and foreign income taxes to which they are subject. However, no provision has been made for theoretical tax liability which would have been incurred had the company received in dividends its share of the retained earnings of foreign subsidiaries. No such tax liability has been incurred, may never be incurred; and the amount, if ever incurred, is presently indeterminable, being dependent upon income tax rates in effect at the time of transfer.

**NET ASSETS OF FOREIGN SUBSIDIARIES** — The accounts of the foreign subsidiaries have been translated at appropriate rates of exchange in U.S. dollars, except that the accounts of The Fluor Corporation of Canada, Ltd. are stated in Canadian dollars at October 31, 1961.

The net assets of the foreign subsidiaries at October 31, 1962 and 1961 are presented below:

	1962	1961
The Fluor Corporation of Canada, Ltd.	\$988,228	\$1,428,982
Fluor Engineering & Construction Co., Limited	(13,449)	76,238
Fluor International, S. A.	714,670	784,368
Fluor-Schuytlot N.V.	343,499	460,259
Fluor South Africa (Pty.), Limited	1,142	—
Fluor Venezuela, S. A.	900	900
Middle-East Fluor, S. A.	858,860	911,858
Fabricantes de Equipos de Enfriamiento, S. A. de C.V.	720	(14,192)
Svenska Constructors Fluor A. B.	9,681	6,419

**NONCURRENT LIABILITIES** — In October 1958, the company negotiated 5½% notes in the amount of \$2,000,000 with a bank, and 5½% notes in the amount of \$3,000,000 with two insurance companies. The notes were issued in accordance with a common note agreement, and are payable in semi-annual installments of \$200,000 plus interest. Payments commenced on May 1, 1959, and extend to May 1, 1971, subject to contingent and optional prepayment provisions.

Under the terms of the note agreement, as amended, the company is required to maintain net current assets of \$5,000,000 and the current assets must not be less than 150% of the current liabilities. The company is restricted from paying cash dividends in excess of the net earnings (as defined) after October 31, 1959, increased by \$630,000. As of October 31, 1962 retained earnings of \$4,050,000 were free of restrictions.

In June 1960 Fluor-Schuytlot N.V. negotiated a 5% mortgage loan to finance the construction of a new building. At October 31, 1961 the company had been advanced the total commitment of \$555,555. The loan is payable in annual installments of \$34,700, plus interest. Payments commenced on June 1, 1962 and extend for a period of 16 years, subject to contingent and optional prepayment provisions.

**RENEGOTIATION** — Sales subject to renegotiation for the year ended October 31, 1962 are estimated at \$76,000,000. Reports of renegotiable sales for all years through October 31, 1961 have been reviewed and cleared by government agencies, and no refunds requested. It is the opinion of management that a current provision for renegotiation is not required.

**RESTRICTED STOCK OPTION PLAN** — The company has a restricted stock option plan under which options were granted to key management employees to purchase a maximum of 51,615 shares of common stock. During the year ended October 31, 1962 options were granted to purchase 5,000 shares of common stock and options to purchase 4,005 shares of common stock were exercised, the proceeds of which have been added to the capital accounts of the company. At October 31, 1962 there were options outstanding for 34,910 shares at prices ranging from \$11.67 to \$28.95 a share and there were no shares available for granting. Options to purchase 5,200 shares previously granted have expired by their terms and became available for granting.

**COMMITMENT** — The Fluor Corporation, Ltd. is committed to purchase the shares of Fluor-Singmaster & Breyer, Inc. not presently held by the company. As of October 31, 1962, the purchase of all such outstanding shares would involve a payment of approximately \$495,000.

**STOCK DIVIDENDS** — In September 1961, the Board of Directors declared a 5% capital stock dividend payable December 15, 1961 to shareholders of record November 15, 1961 and 40,263 shares were issued at a value of \$28.50 a share. This transaction was recorded as a reduction from retained earnings and an addition to capital accounts in the amount of \$1,147,495.

In December 1962, the Board of Directors declared a 5% capital stock dividend payable March 11, 1963 to shareholders of record February 11, 1963. This transaction will be recorded as a reduction of retained earnings and an addition to the capital accounts.



# 15-YEAR FINANCIAL SUMMARY

(Dollar amounts are in thousands, except per share amounts)

OPERATING RESULTS																
	Revenues	Wages and Salaries	Purchased Materials and Services	Depreciation and Amortization	Maintenance and Repairs	Contributions to Employees' Benefit Trust Funds	Interest on Indebtedness	State, Local and Miscellaneous Taxes	Earnings Before Income Taxes	U.S. and Foreign Income Taxes	Minority Interests	Net Earnings	Net Earnings Per Share*	Dividends Paid	Reinvested Earnings	
1962	\$174,600	\$50,769	\$119,533	\$1,031	\$684	\$ 702	\$314	\$341	\$1,226	\$ 994	(\$231)	\$ 463	\$ .56	—	\$ 463	1962
1961	130,275	42,699	79,740	847	794	1,136	328	239	4,492	2,037	63	2,392	2.83	—	2,392	1961
1960	85,949	29,646	52,452	1,007	853	107	400	292	1,192	293	113	786	.94	—	786	1960
1959	110,398	40,870	67,971	1,163	838	81	375	346	(1,246)	(428)	68	(886)	(1.06)	\$873	(1,759)	1959
1958	120,767	44,363	68,387	1,299	906	965	162	373	4,312	2,188	215	1,909	2.29	912	997	1958
1957	152,709	51,822	91,252	1,200	821	1,227	159	288	5,940	2,969	338	2,633	3.29	768	1,865	1957
1956	121,268	39,079	77,945	946	501	298	181	300	2,018	1,022	259	737	.97	720	17	1956
1955	106,479	36,136	65,388	911	532	500	146	236	2,630	1,258	138	1,234	1.63	720	514	1955
1954	93,672	34,905	53,839	945	616	541	138	243	2,445	1,203	64	1,178	1.56	720	458	1954
1953	105,901	37,528	62,076	717	437	691	129	272	4,051	1,949	42	2,060	3.27	600	1,460	1953
1952	80,906	29,516	45,970	422	353	814	108	216	3,507	1,766	—	1,741	3.45	420	1,321	1952
1951	52,269	17,978	30,621	311	334	570	78	114	2,263	1,127	—	1,136	2.25	320	816	1951
1950	26,577	10,660	14,165	229	326	264	1	158	774	295	—	479	.95	198	281	1950
1949	33,565	11,701	19,034	224	305	435	14	114	1,738	661	—	1,077	2.22	199	878	1949
1948	33,197	11,086	17,790	182	290	752	17	74	3,006	1,143	—	1,863	4.60	192	1,671	1948

FINANCIAL POSITION							
	Current Assets	Current Liabilities	Working Capital	Property, Plant and Equipment		Other Assets	Total Capitalization
				Gross	Net		
1962	\$31,248	\$19,423	\$11,825	\$14,121	\$6,366	\$4,825	\$23,016
1961	29,467	18,106	11,361	13,646	6,530	6,404	24,295
1960	20,240	11,585	8,655	12,604	5,987	7,202	21,844
1959	20,726	9,463	11,263	13,652	7,211	3,804	22,278
1958	29,492	15,560	13,932	14,430	8,358	2,783	25,073
1957	27,320	18,251	9,069	13,441	8,303	2,772	20,144
1956	24,597	17,666	6,931	12,053	7,670	1,968	16,569
1955	19,261	10,338	8,923	9,366	5,821	1,076	15,820
1954	22,464	12,328	10,136	8,331	5,386	183	15,705
1953	22,011	12,669	9,342	7,071	4,683	99	14,124
1952	17,568	10,840	6,728	5,034	3,280	79	10,087
1951	15,049	9,638	5,411	4,381	2,902	67	8,380
1950	7,935	4,011	3,924	3,246	2,034	64	6,022
1949	7,955	4,033	3,922	2,767	1,705	129	5,756
1948	8,571	5,585	2,986	2,427	1,534	175	4,695

EQUITY, DIVIDENDS & SHAREHOLDERS						
	Shareholders' Equity			Dividends		Number of Shareholders
	Aggregate	Per Share*	% Net Earnings to average equity	Per Share*	% of Net Earnings	
1962	\$19,019	\$22.94	2.4%	—	—	5,797
1961	18,989	22.45	13.4	—	—	5,165
1960	16,605	19.92	4.8	—	—	5,339
1959	15,819	18.97	—	\$1.05	—	4,883
1958	17,558	21.09	11.4	1.10	47.8%	4,501
1957	15,861	19.86	18.2	.96	29.2	4,010
1956	13,098	17.33	5.6	.95	97.7	3,709
1955	13,081	17.30	9.6	.95	58.3	3,389
1954	12,567	16.62	10.0	.95	61.1	3,376
1953	11,089	17.60	21.4	.95	29.1	2,235
1952	8,176	16.22	23.2	.83	24.1	1,227
1951	6,838	13.57	17.7	.63	28.2	1,115
1950	6,022	11.95	8.3	.39	41.3	867
1949	5,474	11.28	22.2	.41	19.9	355
1948	4,240	10.46	54.6	.48	10.3	304

\*Adjusted for ten-for-one stock split in 1950, 20% stock dividend in 1957, and 5% stock dividend in 1962.



OFFICERS

J. ROBERT FLUOR . . . . .	President (1946)
J. SIMON FLUOR . . . . .	Chairman of the Board (1921)
DONALD W. DARNELL . . . . .	Vice Chairman of the Board (1925)
MELVIN A. ELLSWORTH . . . . .	Executive Vice President, Engineering and Construction (1940)
ROBERT W. KERR . . . . .	Executive Vice President, Manufacturing (1960)
EDMUND C. AUSTIN . . . . .	Vice President, Procurement (1958)
GEORGE H. DIETER . . . . .	Vice President, International Sales (1940)
W. P. DOWNEY . . . . .	Vice President, Construction (1930)
FRANCIS E. FISCHER . . . . .	Secretary-Treasurer (1924)
JAMES D. HARRIS . . . . .	Vice President, General Counsel (1950)
JOHN G. MARSHALL . . . . .	Vice President, General Engineering (1946)
ERNEST MONCRIEF . . . . .	Vice President, Project and Design Engineering (1937)
DONALD M. MORGAN . . . . .	Controller (1941)
HAROLD J. NEHER . . . . .	Assistant to the President (1952)
JAY L. REED . . . . .	Vice President, Administration (1949)
DAVID S. TAPPAN . . . . .	Vice President, Sales (1952)
JAMES L. TATHWELL . . . . .	Vice President, Subsidiaries (1939)
LEE VAN HORN . . . . .	Vice President, Process Engineering and Development (1948)
JAMES P. WISEMAN . . . . .	Vice President, Mid-Continent Division (1942)

SUBSIDIARIES

Fluor-Singmaster & Breyer, Inc., New York City  
The Fluor Corporation of Canada, Ltd., Toronto, Ontario  
Fluor Maintenance, Inc., Los Angeles  
Fluor Engineering & Construction Co., Limited, London  
Fluor-Schuytplot N.V., Haarlem, Holland  
Fluor International, S.A., Panama, R.P.  
Fluor Products Company, Inc., Santa Rosa, California

ANNUAL MEETING

The Annual Meeting of the Fluor Corporation, Ltd., will be held at 10 a.m. (PST) Monday, March 11, 1963 at the main office.

AUDITORS

Alexander Grant & Company, Los Angeles

GENERAL COUNSEL

Voegelin, Barton, Harris & Callister  
Los Angeles

STOCK REGISTRARS

California Bank, Los Angeles  
The Chase Manhattan Bank, New York

TRANSFER AGENTS

The Security First National Bank, Los Angeles  
The First National City Bank of New York

MAIN OFFICE

2500 South Atlantic Boulevard  
Los Angeles 22, California

DIRECTORS

J. SIMON FLUOR	
DONALD W. DARNELL	
J. ROBERT FLUOR	
MELVIN A. ELLSWORTH	
ROBERT W. KERR	
FRANCIS E. FISCHER	
JAMES P. WISEMAN	
JAN OOSTERMEYER . . . . .	Chemical Consultant, former President, Shell Chemical Corporation (1953)
DONALD ROYCE . . . . .	Partner, William R. Staats & Co. (1951)
BYRON MARQUIS . . . . .	President, Fluor-Singmaster & Breyer, Inc. (1962)
LOREN K. OLSON . . . . .	Attorney, former Member, U. S. Atomic Energy Commission (1962)

OFFICERS OF SUBSIDIARIES

BYRON MARQUIS . . . . .	President, Fluor-Singmaster & Breyer, Inc. (1954)
ARTHUR C. SHEFFIELD . . . . .	Managing Director, Fluor Engineering & Construction Co., Limited (1942)
VICTOR SCHUYTVLOT . . . . .	Managing Director, Fluor-Schuytplot N.V. (1959)
ROBERT W. KERR . . . . .	President, Fluor Products Company, Inc. (1960)

NOTE: Figures in parentheses indicate the year each officer joined the Corporation, or each outside director joined the Board.



