

THE FLUOR CORPORATION, LTD. ANNUAL REPORT: 1963

The word "fluor" is written in a bold, lowercase, sans-serif font. It is contained within a thin black rectangular border. The color of the text is a mustard yellow or gold.

**fluor**

The Fluor Corporation, Ltd. Annual Report: 1963

1	The Corporate Profile
5	The Diversification Program
7	The E & C Division
13	Financial Statements
16	Revenue Source and Disposition
18	Financial Summary

Highlights of the Year

	1963	1962	% Change
Net Sales . . . . .	\$142,589,248	\$173,937,349	— 18.0
Taxes:			
Income (federal and foreign) . . . . .	\$ 837,247†	\$ 994,069	— 15.8
Payroll, state, local and miscellaneous . . . . .	\$ 2,095,922	\$ 1,873,109	+ 11.9
Total taxes . . . . .	\$ 2,933,169†	\$ 2,867,178	+ 2.3
Total tax per share . . . . .	\$ 3.43†	\$ 3.29*	+ 4.3
Acquisition of mineral interests . . . . .	\$ 7,666,301		
Additions to property, plant and equipment . . . . .	\$ 832,810	\$ 932,667	— 10.7
Cash flow . . . . .	\$ 3,117,723	\$ 1,494,277	+108.6
Depreciation, depletion and amortization . . . . .	\$ 1,862,030	\$ 1,031,188	+ 80.6
Net earnings . . . . .	\$ 1,255,693	\$ 463,089	+171.2
Per share . . . . .	\$ 1.47	\$ .53*	+177.4
As percentage of shareholders' average equity . . . . .	6.4	2.4	
New orders . . . . .	\$140,000,000	\$167,000,000	— 16.2
Backlog at October 31 . . . . .	\$126,000,000	\$127,000,000	— 0.8
Net working capital . . . . .	\$ 13,136,035	\$ 11,824,694	+ 11.1
Current ratio . . . . .	1.61	1.61	
Shares outstanding at year end . . . . .	856,113	828,745	+ 3.3
Number of shareholders . . . . .	5,227	5,797	— 9.8
Shareholders' equity at October 31 . . . . .	\$ 19,964,577	\$ 19,019,264	+ 5.0
Per share . . . . .	\$ 23.32	\$ 21.86*	+ 6.7

\*Adjusted for 5% stock dividend in 1963.  
†Before tax credit from extraordinary charge.



The Corporate Profile

J. R. FLUOR, President

Fiscal 1963 results confirm last year's forecast that your company would make progress and improve profits. The table on the opposite page tells the story. The improvement is encouraging but, frankly, earnings are still far from our goal.

A more effective organization and higher income continue to be major objectives. A much better return on invested capital is one aim; another is leadership in the international engineering-construction industry. Fluor now ranks near the top in this field, but we want to be first in two basic respects: ability and earnings. Our third intention is to increase growth and profit through diversification.

Looking again to the table, we see that cash flow and working capital were above last year's levels. Sales and new orders were down, but this should not disturb us; sales peaked to an unrepresentative level in 1962 because of high-volume, low-profit Federal projects. Our projects mix was brought into better balance last year. Government jobs now account for only 13 percent of the backlog, compared with 34 percent at one point in fiscal 1962.

Management re-evaluated each of our operations

during these twelve months and took action to improve profitability. For instance, greater selectivity was demonstrated in our bidding; each proposed project was carefully analyzed, and we declined to quote when too many competitors were invited to bid.

Overcapacity within the engineering-construction industry and within Fluor itself necessitated the termination of one of our three domestic engineering offices. After thorough deliberation, we decided to close down operations in New York City through our subsidiary, Fluor-Singmaster & Breyer, Inc. We also concluded negotiations during the year for the sale of Fluor Maintenance, Inc., which did not complement our other activities and demanded greater management concern than it justified by its contribution to profits.

As you know, Fluor Products Company, Inc. has had difficulty in generating earnings. Many steps have been taken in the last few years to strengthen this subsidiary, but the company reported a loss in 1963. Nonetheless, we are confident that the problem can be solved. A profit improvement program has been set up within this dedicated organization which should achieve the desired result.

The international character of our firm is being dramatically illustrated. Two-thirds of the backlog at year end was for assignments outside the United States. One project—a refinery for the National Iranian Oil Company—will be the largest project in Fluor history. There are other jobs around the world: three in the Far East, two each in South America, Canada, and South Africa, one other in the Middle East, and six in Western Europe.

Economic growth on every continent spells opportunity for Fluor. In the next three years, \$5 billion will be spent to expand world refining capacity; another \$4 billion is earmarked to increase petrochemical production. We are well prepared to share in the work to be awarded. Meanwhile, there has been a substantial upsurge in projected oil refining projects in the United States. Not since 1957 have we seen such a large volume of inquiries for crude and downstream petroleum refining facilities. Increasing consumption of refined oil products essentially has used up the excess refining capacity which has been an oil-industry problem for many years. Refiners are talking to us about additions to crude



Consolidated Backlog (At October 31)

	1963	1962	1961
United States . . . . .	34%	64%	83%
Outside United States . . . . .	66	36	17
	100%	100%	100%
Petroleum . . . . .	51	37	12
Chemical/Petrochemical . . . . .	29	38	44
Government . . . . .	13	17	34
Natural Gas/Gasoline . . . . .	3	—	3
Manufactured Products . . . . .	3	3	3
Power . . . . .	1	5	4
	100%	100%	100%
Parent Company . . . . .	34	69	80
Subsidiaries and Affiliate . . . . .	66	31	20
	100%	100%	100%



capacity and of new units for upgrading products.

We are well into a diversification program which should bolster our earnings in the years ahead. Fluor is building a permanent earnings base through investment. As you can see, owning a business producing consistent profits would offset fluctuating revenues generated by engineering and construction activities, which are tied to the capital-goods expenditure cycle. We acquired mineral interests in oil and gas properties a year ago to provide just such an earnings platform. These new holdings will not totally fulfill the purpose we have in mind until a reserved oil and gas production loan is liquidated in approximately eight years, but they can be expected to make some contribution to earnings during this eight-year period.

The acquisition required additional long-term financing, so we negotiated an \$8 million loan with The Prudential Insurance Company which has more favorable terms than previous insurance company loans, including, lower interest rate, 15 year term, and greater flexibility in the repayment schedule. Proceeds were employed for the purpose of retiring \$3 million outstanding on an earlier long-term loan, and the balance was used to restore working capital previously expended to finance the purchase of our mineral interests.

Engaging in a business not dependent on industrial capital spending is another way to modulate the cyclical swings of the capital-goods expenditure market. With this in mind, we acquired in 1961 a minority interest in the William J. Moran Company, an experienced general contractor and a leader in the national urban renewal program. Two years' association with the firm have convinced us of the tremendous potential in property development. Such enterprise generates profits through construction management fees and through equity interests,

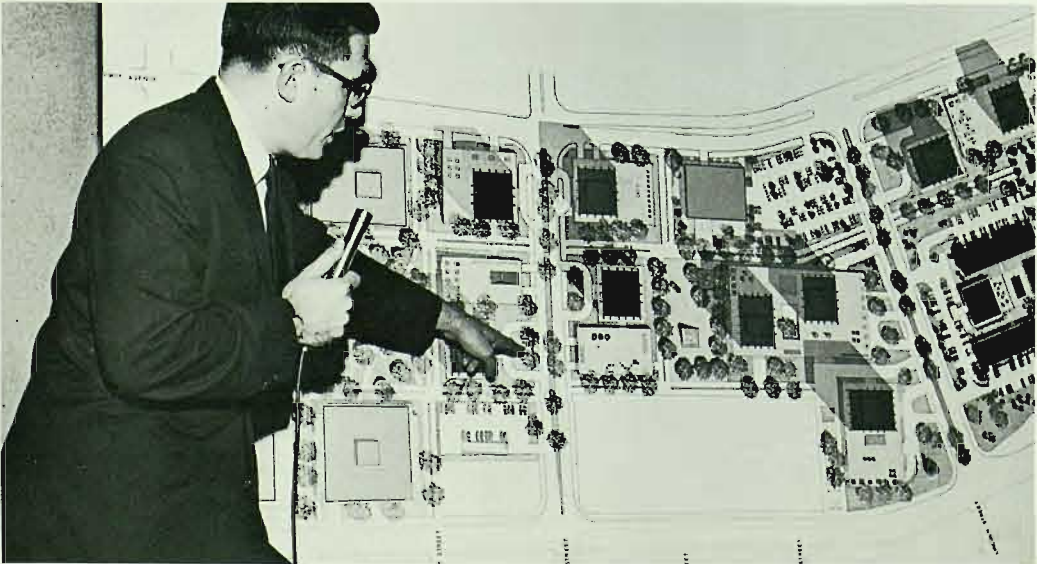
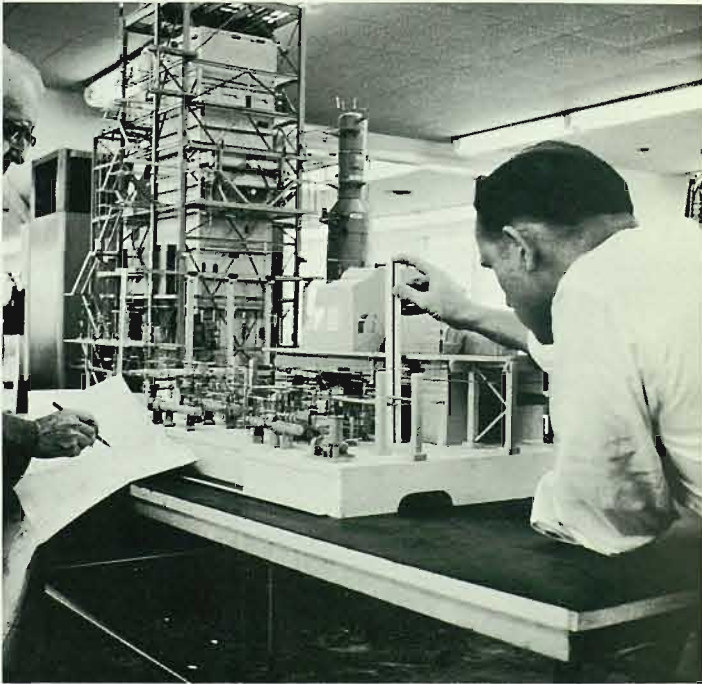
which offer both rental income and capital appreciation. The prospects for property development appear unlimited and should play an important role in Fluor's future.

Changes occurred during the year among Directors and Officers. Maurice H. Stans, Senior Partner of William R. Staats & Company and former United States Director of the Budget, was elected to the Board, replacing Donald Royce, also a Staats Senior Partner. Byron Marquis retired as a Director. Francis E. Fischer retired as Secretary-Treasurer but will continue serving on the Board. Donald M. Morgan was elected Treasurer, and Donald J. Engleman filled his position as Controller. Harold J. Neher became Secretary; Jay L. Reed was named Vice President — Administration. Lee Van Horn retired, and William F. Chapin succeeded him as Vice President — Process Engineering and Development.

In January 1964 the Board of Directors declared a five percent stock dividend, payable on March 9, 1964, to shareholders of record on February 10. This is the third consecutive year in which a five percent stock dividend has been paid.

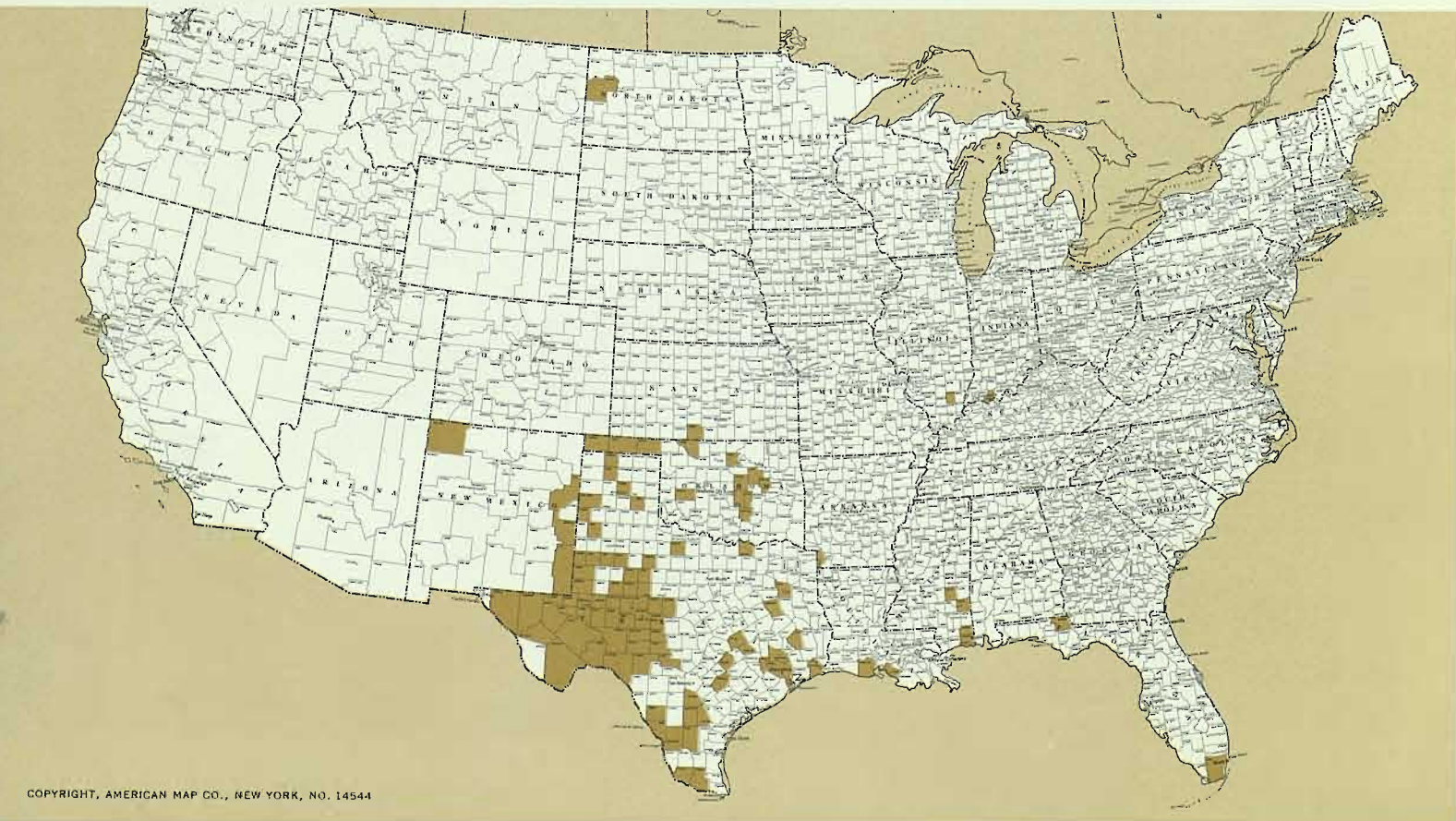
We start 1964 with a good backlog and with prospects for new business more promising than in the past several years. Our sales activities are at the highest level since 1957, and proposed additions to domestic oil refining capacity should mean a large volume of business in 1964 and 1965 as well as a less competitive market for engineering-construction contractors. We can also expect to share in the expansion of processing capacity planned throughout the free world.

Our diversification moves into mineral-right holdings and into land development, coupled with the announced plans for major oil refinery and petrochemical projects, should result in a high level of activity for Fluor for the next several years.



Unique road sign shows versatility of Fluor Products Company for fabricating shapes in glued-laminated wood. Record lift of an Isomax reactor and presentation of the Cascade Village master plan were among the stand-out events of 1963.





## The Diversification Program

J. S. FLUOR, Chairman of the Board

Engineering-construction services for the processing industries have and will continue to provide the greatest portion of Fluor's income. However, we have already made our first acquisitions to activate long-range plans for stabilizing and augmenting our earnings through diversification. Early results indicate that these new activities will help us to attain the goal.

Fluor acquired substantial mineral interests in developed, proven oil and gas properties from Peerless Oil & Gas Company. At the same time, we also purchased interests in undeveloped or "wildcat" properties from Peerless. The total cost to Fluor was \$7.7 million, plus a reserved production payment of \$14 million.

The developed properties consist of 6,032 oil and gas wells located on 308,318 acres, of which Fluor owns 45,716 net interest acres. We also own 76,915 net interest acres under 341,047 gross acres of wildcat property. These mineral interests were acquired by Peerless over a 40 year period and have been described by oil experts as exceptional and impossible to duplicate.

Our interests in developed properties are committed to a \$14 million reserved production payment, that is, a loan which is paid out of oil and gas production income. In our first year of operation, \$1 million was applied against the loan. We will own oil and gas mineral rights that will produce future income estimated at \$40 million when the production loan is paid off in about eight to nine years.

Our Oil and Gas Division was established at Midland, Texas, to manage our mineral interests, with James Milor appointed Manager and Leroy Esterak named Chief Geologist. Both men are oil industry veterans and former employees of Peerless. During our first 10 months of operation, 173 development wells were drilled, of which only 12, or seven percent, failed to yield commercial quantities of oil or

gas. Five wells were reworked in an effort to stimulate production; all responded favorably for an average increase in output of 250 percent.

Fluor's interests in undeveloped acreage lie at the edges of prolific oil fields whose productive limits are not yet known — the Permian Basin in Texas and New Mexico, for example. As the development of these lands progresses outward, our wildcat mineral interests should become increasingly more valuable. At the close of the fiscal year, we had our first successful completion on wildcat property when a new gas well was brought in on acreage in which we have a 27 percent interest. This should net Fluor about \$10,000 per year at the current rate of allowable production.

Our acquisition two years ago of a 26 percent interest in the William J. Moran Company gave us our first exposure to the exciting and growing fields of urban renewal and private real-estate development. At that time, Moran was an equity holder, developer, and construction manager of Mansion House Center, a \$46 million renewal project in St. Louis, Mo.

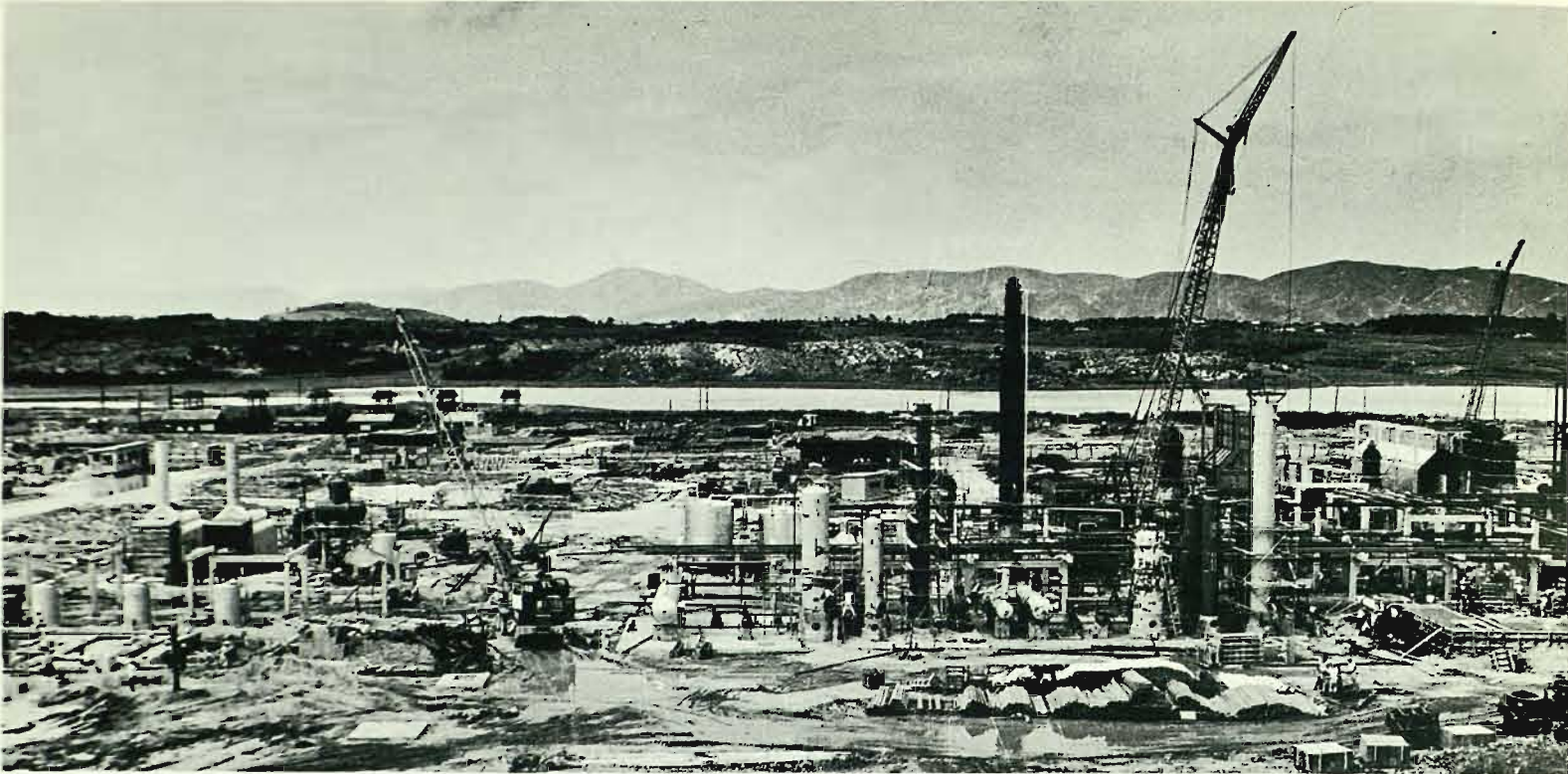
Since then, the Fluor and Moran organizations have become principal stockholders in the Portland Center Redevelopment Corporation, which will build Cascade Village, a \$56 million complex to be located on a 24 acre site in downtown Portland, Oregon. Consisting of eight apartment towers, a multi-story office building, a motel and restaurant, and a retail business center, this outstanding urban renewal project should be completed in 1969. Fluor and Moran also are currently participating in the \$45 million San Jose Center Redevelopment Project.

Four very promising opportunities have arisen for us in the field of private real-estate development. Studies and negotiations are proceeding on a large medical center, on a beach-front recreation complex, on a high-rise apartment house, and on a major transportation center for a large eastern city.

Potential business for Fluor in this new field seems almost unlimited and should make a significant contribution to our future earnings.

*Fluor and Moran will change the Portland skyline with Cascade Village's elegant architectural design by Skidmore, Owings & Merrill. A city blight will be no more. Diversified otherwise, the company owns mineral rights clustered mainly in Mid-Century counties.*





## The E & C Division

M. A. ELLSWORTH, Executive Vice President

The Engineering-Construction Division worked on some of the most impressive projects in Fluor history during fiscal 1963, had a profitable year, and started fiscal 1964 with a good backlog and excellent prospects for additional work. Under the leadership of Vice President J. P. Wiseman, the Mid-Continent Division built up a record backlog by year end. The U.S. oil companies have enlarged their budgets for new plant and equipment, so we anticipate a pick-up in domestic work during the next six months. Meanwhile, business overseas will continue at a high level.

Fluor forces, active in 15 countries on six continents during the past year, completed 23 projects worth \$190 million in 1963. We recently constructed for Standard Oil Company of Kentucky five major units of the largest grass-roots refinery to be built in the United States in more than six years. This 100,000 barrels-per-day complex at Pascagoula, Mississippi, incorporates a Fluor-installed Isomax unit rated at 18,600 barrels per day—one of the two largest hydrocrackers in the world.

Erecting the Isomax unit was one of the accomplishments of the year. One of its three vessels weighed 488 tons and was the heaviest single piece of processing equipment ever to be lifted and anchored into place. Using four 150 ton gin poles and 27 tons of special lifting attachments, Fluor constructors raised the reactor and set it on its foundation in only 45 minutes.

According to a recent report on the refinery in *The Oil and Gas Journal*, "Refinery construction was carried out on a rapid but orderly and economical schedule. The comparatively short time of two years was allotted from the start of design work until the plant was to be in operation. This is prob-

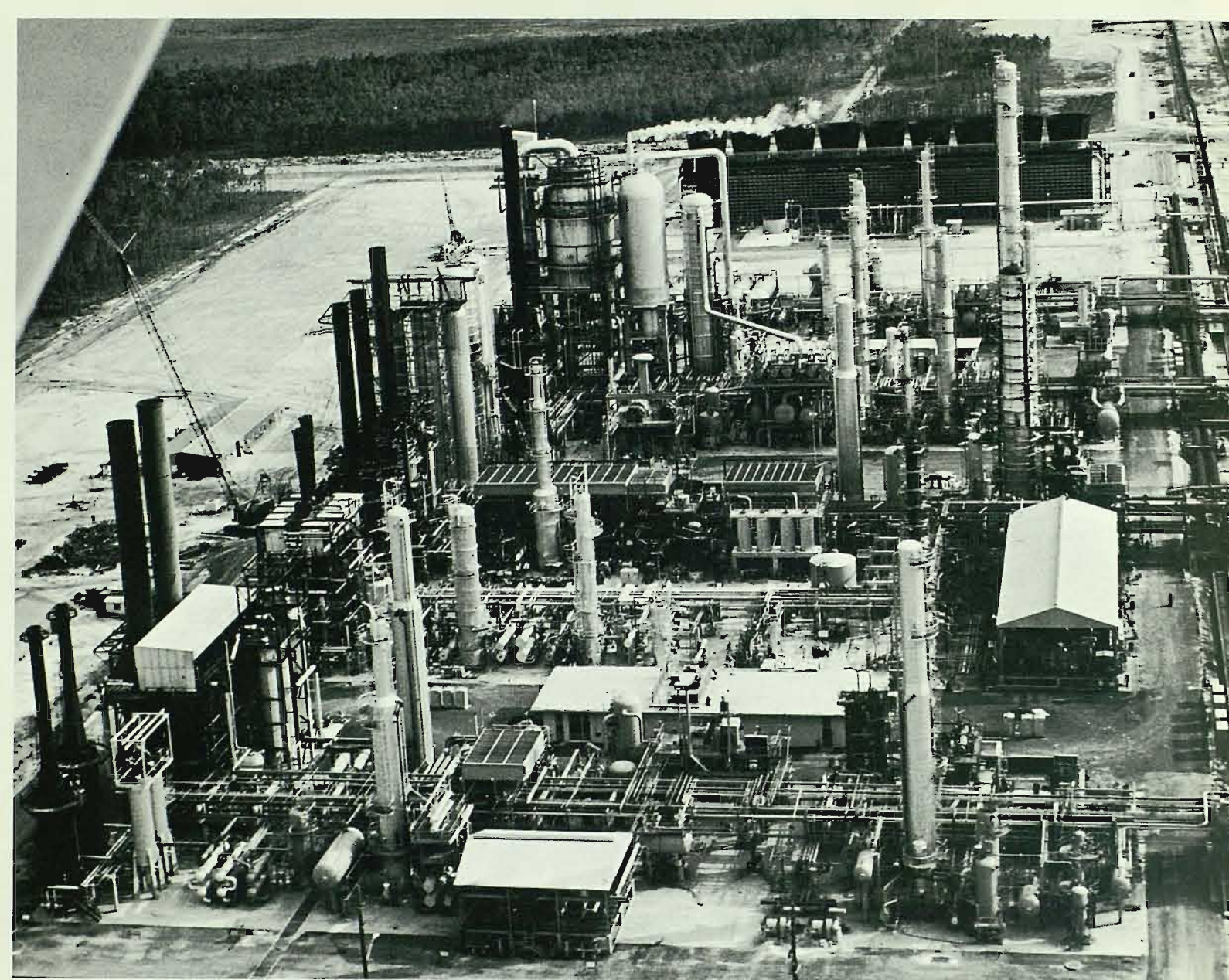
ably an all-time record for fast construction of a major grass-roots refinery, considering elapsed time from the start of design work."

This achievement was paralleled, if not surpassed, by our performance on a 35,000 barrels-per-day refinery for Korea Oil Corporation. This grass-roots facility was completed near Ulsan in a remarkable 14-months—two months ahead of schedule, despite innumerable difficulties. Formerly a rice paddy, the site is in a remote area. Sand, rock, and aggregate sources had to be developed, lumber was virtually nonexistent, and fuel for construction equipment was hard to obtain. More than 1,000 Koreans were trained in craft skills, since no pool of experienced workers was available. Moreover, all refinery materials and construction equipment had to be imported, and the heaviest rains in Korean history plagued the first three months of construction effort. Our ability to solve these problems and turn over the plant ahead of schedule surely enhanced Fluor's reputation.

Among other major projects completed during the year were a nitrogen-solutions complex for Hawk-eye Chemical Company, a helium plant each for Cities Service Helex, Inc. and for Helex Corporation (two of the four helium plants to be installed to date under the Government's conservation program), expansion of a butadiene installation for Firestone Tire and Rubber Company, a refinery modification for Great Northern Oil Company, and a crude unit for Atlantic Refining Company. Expansion work also was completed on a hydrocarbon extraction facility for British American Oil Company. We also put into service for Sinclair Oil & Gas Company a carbon-dioxide removal plant based on the Fluor Solvent Process, and construction of Titan II missile sites in Arizona was completed well ahead of schedule for the U.S. Army Corps of Engineers. We installed 125 miles of power transmission line under three

*Drenched but undaunted, Fluor constructors 'pushed' and made a record completion on Korea's first refinery. At Pascagoula they set the world's heaviest single piece of processing equipment. Halfway around the world in Iran, they installed a kerosene treating unit.*





separate contracts; 124 miles of line are currently being strung for two clients in what is a growing field of activity for Fluor.

Fluor received contracts last year for 32 jobs with a total worth of \$130 million. We are currently working on the largest single project in Fluor history—the design, engineering, and construction supervision of a 100,000 barrels-per-day refinery for National Iranian Oil Company. The grass-roots facility, which is scheduled for completion in 1966, is a major part of a \$135 million complex intended to provide the Iranian capital, Tehran, its first local supply of gaseous and liquid hydrocarbon fuels.

Shortly after year end, Gulf Oil Corporation awarded us a contract to perform the engineering, procurement, and construction of a 15,000 barrels-per-day hydrocracker based on a new Gulf process. The unit will be erected at the company's Port Arthur, Texas, refinery. At about the same time, Fluor received another total-responsibility contract from The Atlantic Refining Company for a 100,000 barrels-per-day crude oil distillation unit to be installed in Atlantic's refinery in Philadelphia, Pa.

Other major projects include two hydrocarbon extraction plants in Canada, a chemical plant expansion for Naugatuck Chemical Division of U.S. Rubber Company, a hydrotreater and depropanizer for Shell Oil Company, and a petrochemical project for Shell Chemical Company. We are also performing our first contract in Brazil; engineering and procurement is under way on a 33,000 tons-per-year butadiene plant for Petrobras.

We are constructing the Advanced Test Reactor and are expanding spent reactor core servicing facilities, two of numerous nuclear installations assigned to Fluor in recent years under the auspices of the U.S. Atomic Energy Commission. Presently under construction is a steam-electric generating plant for California Electric Power Company. And

we are evaluating, under a California Department of Water Resources contract, power sources for pumping Feather River water about 450 miles from Northern California to southern regions of the state. In a related field, we are continuing investigations in saline water conversion, a rapidly improving technology which will eventually relieve water shortages in many parts of the world.

A brief recapitulation of activities in the Engineering-Construction Division would be helpful. The overseas sales organizations were strengthened during the year so that we may take maximum advantage of opportunities for new work around the world. In this respect, we won new friends and clients through our activities at the World Petroleum Congress, which was held in Frankfurt last June. More than 3,000 international oil executives participated in our outstanding Inter-Oil exhibit and learned about Fluor's technological ability and multinational flexibility.

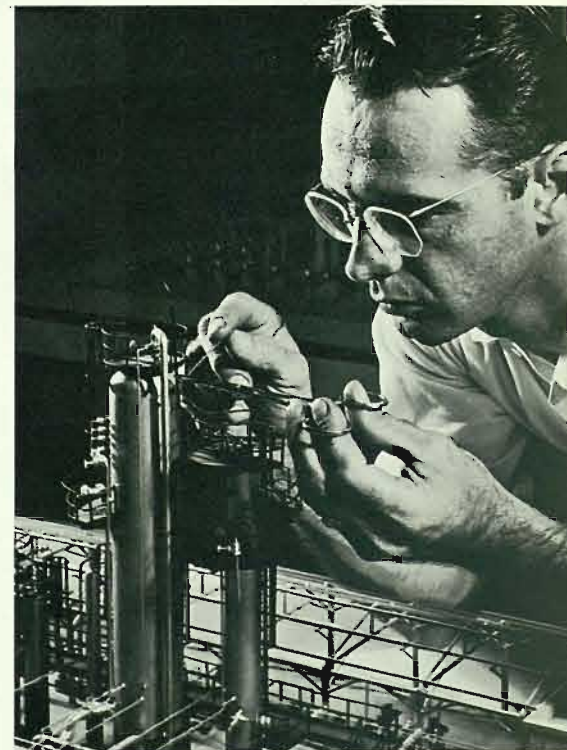
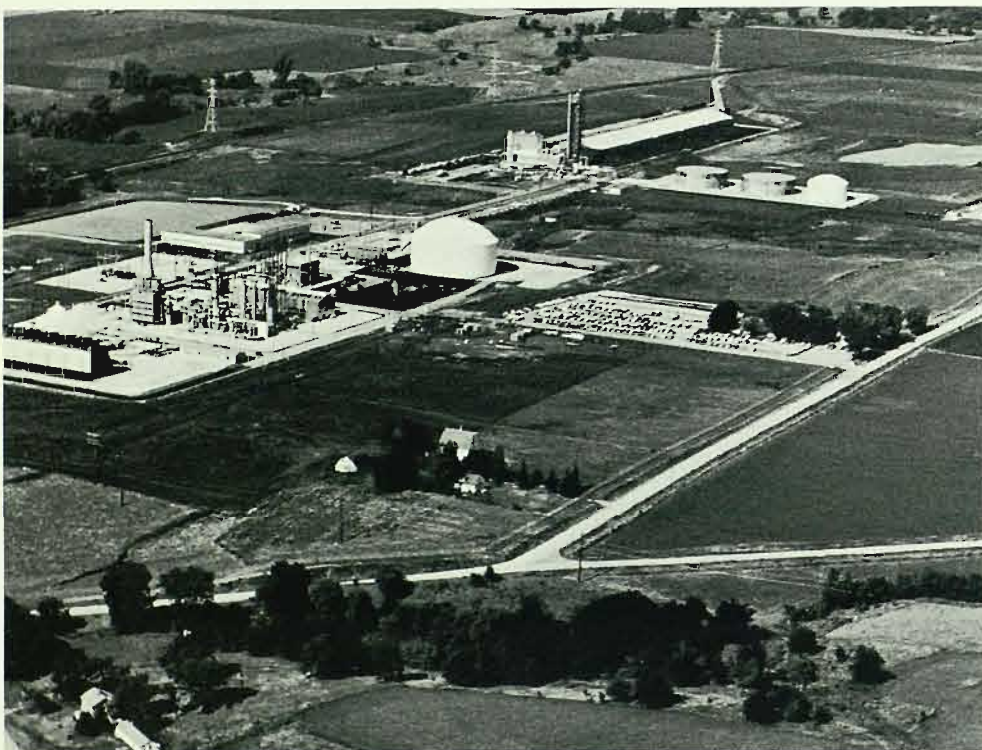
Progress was made in computer capability. Programs were devised to automate certain steps in estimating. Scheduling now includes a system for producing correlated cost and progress reports. Additional computer methods were developed for process engineering design and optimization, while other programs were completed for the precise and automatic design of various structural components.

Last year was the first in which overseas construction manpower exceeded domestic field employment. We had outstanding performances in labor relations and job safety: in the U.S., only 1,612 out of 5,005,325 manhours were lost due to labor disputes—a .03 percent loss, and Fluor's safety record was better than the construction-industry average, as it has been for many years.

Our subsidiaries in England and Holland—now firmly established and becoming more effective every day through the adaptation of American engi-

*As Standard Oil of Kentucky's refinery went into final stages, Fluor engineers were determining the best design for a major grass-roots refinery near Tehran. Plans for global facilities quicken when executives meet at conventions like the World Petroleum Congress.*





neering-construction methods—operated profitably in 1963 and will do even better in 1964. Both offices are totally integrated and well prepared to answer the needs of the world's processing industries for modern, economical plant designs and construction. The subsidiaries expect to bid three times as much work in 1964 as they did last year.

Under the leadership of Managing Director A. C. Sheffield, our British organization—Fluor Engineering & Construction Co., Limited—completed a major petrochemical plant for Svenska Esso A.B. in Sweden during the year, as well as a polyethers plant for Pfizer Limited in Wales and copper-chloride treating units for the Iranian Oil Refining Company in Iran. Fluor-U. K. won a total-responsibility contract in 1963 for a 40,000 tons-per-year acrylonitrile facility in Scotland; the new plant will be located adjacent to a Fluor-built butadiene installation which was completed in 1961. The British subsidiary is also constructing a styrene-butadiene

plant and a synthetic rubber facility in South Africa.

Our Dutch subsidiary has been active too. Fluor-Schuytplot N.V. at Haarlem, Holland, completed engineering in 1963 for a high-pressure polyethylene plant for Rumianca S.p.A. to be located on the island of Sardinia. It is currently serving as total-responsibility contractor on the largest project in its history—a major chemical complex in Holland for Nederlandsche Dow Maatschappij N.V.—and has three other projects in the Netherlands.

To help shoulder the growing workload at Fluor-Schuytplot, Frank G. Crawford, an engineer and manager with more than 20 years of Fluor experience, was made Joint Managing Director in the latter part of the year. He shares leadership of the firm with Victor Schuytplot.

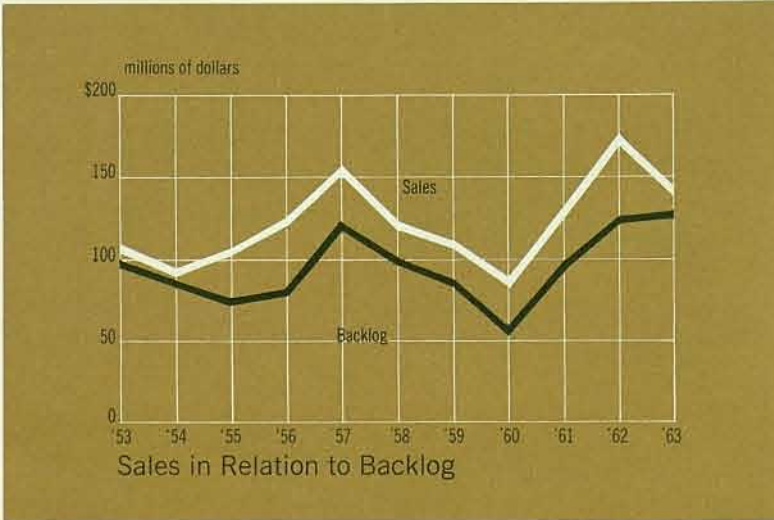
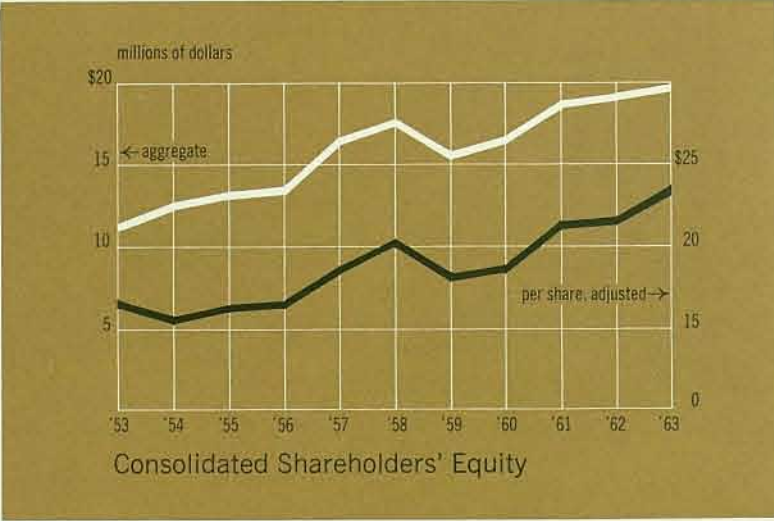
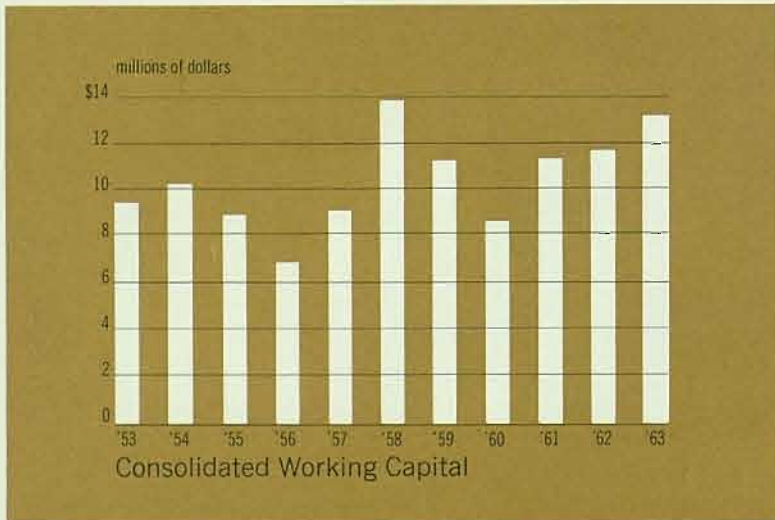
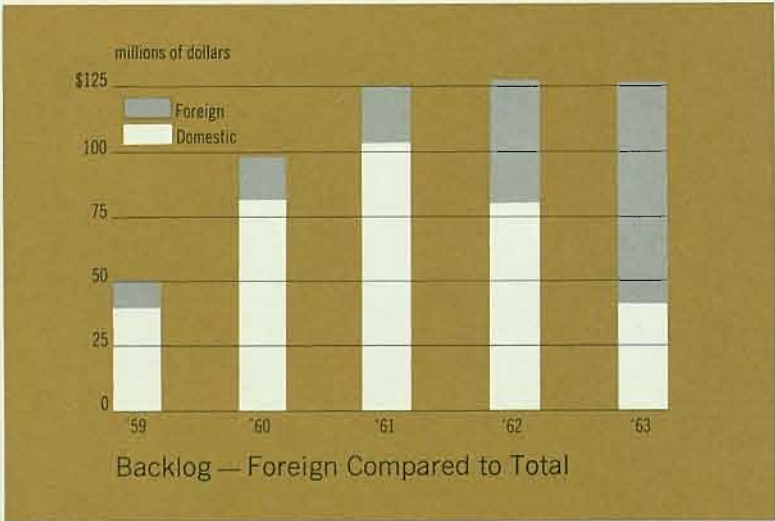
Activity abroad is continuing at a high level; the outlook for domestic work is much better. We expect to win our share of new business in 1964 and will be reaping the rewards of this effort in 1965.

*Computers and precision models are several of the tools used by Fluor technologists in handling projects like the fertilizer plant in Iowa for Hawkeye Chemical Company. As with other Fluor projects, Sweden's new chemical complex exemplifies expertise in construction methodology.*





Isomax reactor, heaviest one-piece shipment on record, was freighted from Tennessee fabricator to Mississippi jobsite on two flatcars.



The Fluor Corporation, Ltd. and Subsidiaries

## STATEMENTS OF CONSOLIDATED EARNINGS AND RETAINED EARNINGS

Years ended October 31, 1963 and 1962

	1963	1962
<b>Revenue</b>		
Engineering and construction — including unbilled charges on incompletd contracts . . . . .	\$132,151,915	\$163,165,170
Products . . . . .	10,437,333	10,772,179
Oil and gas . . . . .	1,639,058	—
Interest and other . . . . .	673,245	662,410
	<u>144,901,551</u>	<u>174,599,759</u>
<b>Costs and expenses</b>		
Cost of engineering and construction revenue . . . . .	126,026,456	158,845,354
Cost of product sales . . . . .	9,597,936	9,672,107
Selling, research and administrative expenses . . . . .	4,511,111	4,345,848
Oil and gas expenses . . . . .	1,734,216	—
Interest on indebtedness . . . . .	544,136	313,062
Other expenses . . . . .	156,845	197,207
	<u>142,570,700</u>	<u>173,373,578</u>
Earnings before income taxes and minority interests . . . . .	2,330,851	1,226,181
Federal and foreign income taxes . . . . .	837,247	994,069
	<u>1,493,604</u>	<u>232,112</u>
Minority interests in net earnings (loss) of subsidiaries . . . . .	2,547	(230,977)
Net Earnings . . . . .	<u>1,491,057</u>	<u>463,089</u>
Extraordinary charge arising from operations and dissolution of subsidiary, less tax credit . . . . .	235,364	—
Net Earnings less Extraordinary Charge . . . . .	<u>1,255,693</u>	<u>463,089</u>
Retained earnings — beginning of year . . . . .	9,006,838	9,860,078
	<u>10,262,531</u>	<u>10,323,167</u>
Redemption of minority interest stock of subsidiary . . . . .	110,018	75,676
5% capital stock dividend — at approximate market value (1963 — 40,678 shares; 1962 — 40,263 shares) . . . . .	672,672	1,147,495
Reduction of carrying value of Canadian net assets due to exchange rates . . . . .	—	93,158
	<u>782,690</u>	<u>1,316,329</u>
Retained earnings — end of year . . . . .	<u>\$ 9,479,841</u>	<u>\$ 9,006,838</u>
Included above in costs and expenses:		
Depreciation, amortization and depletion . . . . .	\$ 1,862,030	\$ 1,031,188
Contribution to employees' benefit trust funds . . . . .	499,308	701,659

The accompanying notes are an integral part of these statements.



THE FLUOR CORPORATION, LTD. AND SUBSIDIARIES

Assets	1963	1962
<b>Current Assets</b>		
Cash . . . . .	\$ 6,730,534	\$ 4,839,306
Notes receivable . . . . .	917,902	935,090
Accounts receivable . . . . .	11,994,101	8,021,534
Refundable taxes on income . . . . .	—	359,843
Unbilled charges on incompletd contracts . . . . .	12,180,263	14,642,978
Inventories — at the lower of cost (determined by the average method) or market:		
Raw materials, purchased parts and supplies . . . . .	659,057	810,710
Finished goods and work in process . . . . .	1,039,577	1,204,713
Prepaid federal income taxes . . . . .	714,248	—
Prepaid insurance, taxes and deposits . . . . .	443,933	433,686
Total current assets . . . . .	<u>34,679,615</u>	<u>31,247,860</u>
<b>Property, Plant and Equipment — At Cost</b>		
Land . . . . .	158,439	160,398
Buildings and land improvements . . . . .	4,917,947	4,881,896
Machinery and equipment . . . . .	8,910,743	8,582,384
Leasehold improvements . . . . .	423,335	495,822
	<u>14,410,464</u>	<u>14,120,500</u>
Less accumulated depreciation and amortization . . . . .	8,471,209	7,754,535
	<u>5,939,255</u>	<u>6,365,965</u>
Oil and gas properties (less depletion and depreciation — \$819,764) . . . . .	20,963,164	—
Less balance of reserved production payment . . . . .	13,369,957	—
	<u>7,593,207</u>	<u>—</u>
	<u>13,532,462</u>	<u>6,365,965</u>
<b>Other Assets</b>		
Notes and accounts receivable . . . . .	3,206,141	3,789,676
Investments . . . . .	396,360	393,610
Patents and sundry . . . . .	549,682	641,999
	<u>4,152,183</u>	<u>4,825,285</u>
	<u>\$52,364,260</u>	<u>\$42,439,110</u>

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

CONSOLIDATED BALANCE SHEETS October 31, 1963 and 1962

Liabilities	1963	1962
<b>Current Liabilities</b>		
Notes payable . . . . .	\$ 6,538,719	\$ 2,434,722
Accounts payable . . . . .	6,625,426	8,685,835
Customers' deposits and advance payments . . . . .	5,440,452	3,922,655
Income taxes . . . . .	434,622	1,007,811
Accrued liabilities . . . . .	2,504,361	3,372,143
Total current liabilities . . . . .	<u>21,543,580</u>	<u>19,423,166</u>
<b>Noncurrent Liabilities</b>		
Notes payable — noncurrent portion . . . . .	9,888,889	3,486,111
<b>Deferred Credits</b>		
Unearned fees on engineering and construction contracts . . . . .	730,332	145,235
Gain on installment sale of property . . . . .	—	119,046
Income taxes . . . . .	148,460	—
	<u>878,792</u>	<u>264,281</u>
<b>Minority Interests in Subsidiaries . . . . .</b>	88,422	246,288
<b>Stockholders' Equity</b>		
Capital stock — authorized, 2,000,000 shares of \$2.50 par value (issued: 1963 — 890,313 shares, 1962 — 849,545 shares) (outstanding: 1963 — 856,113 shares, 1962 — 828,745 shares) . . . . .	2,225,783	2,123,863
Capital in excess of par value of capital stock . . . . .	8,786,466	8,215,713
Retained earnings . . . . .	9,479,841	9,006,838
	<u>20,492,090</u>	<u>19,346,414</u>
Less shares reacquired and held in treasury — at cost (1963 — 34,200; 1962 — 20,800) . . . . .	527,513	327,150
	<u>19,964,577</u>	<u>19,019,264</u>
	<u>\$52,364,260</u>	<u>\$42,439,110</u>



Source and Disposition of the Fluor Revenue Dollar

	AMOUNT (IN THOUSANDS)		PER CENT	
	1963	1962	1963	1962
Source				
Petroleum and natural gas industries . . . . .	\$ 66,768	\$ 47,507	46.0	27.2
Chemical industry . . . . .	40,231	38,696	27.8	22.2
Power industry . . . . .	6,367	1,915	4.4	1.1
Government projects . . . . .	18,787	75,047	13.0	43.0
Engineering-construction revenue . . . . .	132,153	163,165	91.2	93.5
Manufactured products . . . . .	10,437	10,772	7.2	6.2
Mineral interests . . . . .	1,639	—	1.1	—
Other . . . . .	673	663	0.5	0.3
	<u>\$144,902</u>	<u>\$174,600</u>	<u>100.0%</u>	<u>100.0%</u>
Disposition				
Purchased materials and services . . . . .	\$ 96,529	\$117,805	66.6	67.4
Employee compensation . . . . .	41,234	51,471	28.4	29.5
Depreciation, depletion and maintenance . . . . .	2,712	1,715	1.9	1.0
Taxes . . . . .	2,933†	2,867	2.1†	1.6
Minority interests and miscellaneous . . . . .	238	279	0.2	0.2
Reinvested earnings . . . . .	1,256	463	0.8	0.3
	<u>\$144,902</u>	<u>\$174,600</u>	<u>100.0%</u>	<u>100.0%</u>

† Before tax credit from extraordinary charge.

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 sheet of THE FLUOR CORPORATION, LTD. (a California corporation) and its subsidiaries as of October 31, 1963 and the related statement of consolidated earnings and consolidated retained earnings for the year then ended. Our examination, which did not include the accounts of certain foreign subsidiaries, 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. It was not practicable to confirm accounts receivable, as to which we have satisfied ourselves by means of other auditing procedures. 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. We made a similar examination for the year ended October 31, 1962.

In our opinion, subject to the ultimate conclusion of contract negotiations referred to in the note "Engineering and Construction Contracts," which is not presently determinable, based upon our examination and the reports of other accountants, the accompanying consolidated financial statements present fairly the financial position of The Fluor Corporation, Ltd. and its subsidiaries at October 31, 1963, and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Los Angeles, California  
December 16, 1963

Alexander Grant & Company

NOTES TO FINANCIAL STATEMENTS October 31, 1963 and 1962

**PRINCIPLES OF CONSOLIDATION**—The consolidated financial statements include the accounts of The Fluor Corporation, Ltd. and its subsidiaries, except as stated below. All of the subsidiaries are wholly owned except Fluor-Schuytvlot N.V., which is 75% owned.

All ascertainable intercompany accounts and transactions have been eliminated in consolidation. The net 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 the excess of the company's investment over its equity in the net assets of Fluor-Schuytvlot N.V., at date of acquisition, has been included in "Other Assets" in the consolidated balance sheet to the extent of \$151,812.

During the year, the company acquired the remaining shares of Fluor-Singmaster & Breyer, Inc. in accordance with a long-standing commitment. Since the Board of Directors, in November 1963, voted to wind up and dissolve the subsidiary, the result of its operations for the year are not included in the accompanying statements. The investment in and a portion of advances to the subsidiary have been written off as an extraordinary charge, less the current and anticipated reduction in income taxes included in "Prepaid federal income taxes."

**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.

Engineering and construction revenues include amounts with respect to completed construction for which negotiations pertaining to contract modification have not been concluded.

**OIL AND GAS PROPERTIES**—The company acquired a major portion of its oil and gas properties on December 27, 1962, subject to a production payment reserved by the seller. Since this production payment (together with interest at 5½% per annum) will be liquidated solely from 93% to 98% of the proceeds of production and is not a liability of the company, the balance is deducted from the total cost of the properties. Revenue from oil and gas produced in satisfaction of the terms of the production payment, less related costs, is included in the statement of earnings.

**INCOME TAXES**—The company and its subsidiaries have provided for all known United States and foreign income taxes to which they believe 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 and may never be incurred; the amount, if ever incurred, is presently indeterminable, being dependent upon income tax rates in effect at the time of transfer.

Income tax and franchise tax net deficiencies of approximately \$680,000 have been proposed by taxing authorities. The company has protested these proposed deficiencies, and no provision has been made for any additional taxes.

**NET ASSETS OF FOREIGN SUBSIDIARIES**—The accounts of the foreign subsidiaries have been translated at appropriate rates of exchange to U.S. dollars, except that a long-term note held

by Middle-East Fluor, S.A. is carried at the Canadian rate of exchange in effect at the time of receipt of the note.

The net assets of the foreign subsidiaries at October 31, 1963 and 1962 are presented below:

	1963	1962
The Fluor Corporation of Canada, Ltd.	\$1,219,935	\$988,228
Fluor Engineering & Construction Co., Limited	223,144	(13,449)
Fluor International, S.A.	861,976	714,670
Fluor-Schuytvlot N.V.	353,686	343,499
Fluor South Africa (Pty.), Limited	15,281	1,142
Fluor Venezuela, S.A.	900	900
Middle-East Fluor, S.A.	778,624	858,860
Fabricantes de Equipos de Enfriamiento, S.A. de C.V.	5,693	720
Svenska Constructors Fluor A.B.	9,681	9,681
The Fluor Korea Corporation, Ltd.	18,779	—
Fluor De Colombia, Ltda.	18,258	—

**NONCURRENT LIABILITIES**—In October 1963 the company negotiated a 5½% loan in the amount of \$8,000,000 with an insurance company. The note is payable in annual installments of \$500,000 commencing November 1, 1967, and \$750,000 commencing November 1, 1973, with final maturity November 1, 1978. Interest is payable semiannually.

The company and its restricted subsidiaries are required by the loan agreement to maintain consolidated working capital of \$10,000,000. The company is restricted from paying cash dividends in excess of \$1,000,000 at October 31, 1963, plus 80% of future consolidated net earnings (as defined).

In connection with the acquisition of certain oil properties, the company issued \$1,400,000 of 5% subordinated notes, payable in annual installments of \$100,000 commencing December 1, 1968, with final maturity December 1, 1972.

In June 1960 Fluor-Schuytvlot N.V. negotiated a 5% mortgage loan payable in annual installments of \$34,700 plus interest commencing June 1, 1962, subject to contingent and optional prepayment provisions.

**RENEGOTIATION**—Sales subject to renegotiation for the year ended October 31, 1963 are estimated at \$8,110,000. Reports of renegotiable sales for all years through October 31, 1962 have been reviewed and cleared by government agencies, with 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 53,365 shares of capital stock. As of October 31, 1963, there were options outstanding for 36,660 shares at prices ranging from \$11.11 to \$27.57 a share, and there were no shares available for granting.

**STOCK DIVIDENDS**—In December 1962 the Board of Directors declared a 5% capital stock dividend payable March 11, 1963 to shareholders of record February 11, 1963. 40,768 shares were issued at a value of \$16.50 a share. This transaction was recorded as a reduction of retained earnings and an addition to capital accounts in the amount of \$672,672.



The Fluor Corporation, Ltd. and Subsidiaries

15 YEAR FINANCIAL SUMMARY

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

Operating Results															
	Revenues	Wages and Salaries	Purchased Materials and Services	Depreciation, Amortization and Depletion	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
1963	\$144,902	\$40,735	\$ 97,710	\$1,862	\$850	\$ 499	\$544	\$371	\$2,331	\$ 837	\$238†	\$1,256	\$1.47	—	\$1,256
1962	174,600	50,769	119,533	1,031	684	702	314	341	1,226	994	(231)	463	.53	—	463
1961	130,275	42,699	79,740	847	794	1,136	328	239	4,492	2,037	63	2,392	2.69	—	2,392
1960	85,949	29,646	52,452	1,007	853	107	400	292	1,192	293	113	786	.90	—	786
1959	110,398	40,870	67,971	1,163	838	81	375	346	(1,246)	(428)	68	(886)	(1.01)	\$873	(1,759)
1958	120,767	44,363	68,387	1,299	906	965	162	373	4,312	2,188	215	1,909	2.18	912	997
1957	152,709	51,822	91,252	1,200	821	1,227	159	288	5,940	2,969	338	2,633	3.14	768	1,865
1956	121,268	39,079	77,945	946	501	298	181	300	2,018	1,022	259	737	.93	720	17
1955	106,479	36,136	65,388	911	532	500	146	236	2,630	1,258	138	1,234	1.55	720	514
1954	93,672	34,905	53,839	945	616	541	138	243	2,445	1,203	64	1,178	1.48	720	458
1953	105,901	37,528	62,076	717	437	691	129	272	4,051	1,949	42	2,060	3.11	600	1,460
1952	80,906	29,516	45,970	422	353	814	108	216	3,507	1,766	—	1,741	3.29	420	1,321
1951	52,269	17,978	14,165	229	334	570	78	114	2,263	1,127	—	1,136	2.15	320	816
1950	26,577	10,660	19,034	224	326	264	1	158	774	295	—	479	.91	198	281
1949	33,565	11,701	30,621	311	305	435	14	114	1,738	661	—	1,077	2.11	199	878

Financial Position							
	Current Assets	Current Liabilities	Working Capital	Property, Plant and Equipment		Other Assets	Total Capitalization
				Gross	Net		
1963	\$34,680	\$21,544	\$13,136	\$22,004	\$13,532	\$ 4,152	\$30,820
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

Equity, Dividends and Shareholders						
	Shareholders' Equity			Cash Dividends		Number of Shareholders
	Aggregate	Per Share*	% Net Earnings to Average Equity	Per Share*	% of Net Earnings	
1963	\$19,965	\$23.32	6.4%	—	—	5,227
1962	19,019	21.86	2.4	—	—	5,797
1961	18,989	21.39	13.4	—	—	5,165
1960	16,605	18.97	4.8	—	—	5,339
1959	15,819	18.08	—	\$1.00	—	4,883
1958	17,558	20.09	11.4	1.04	47.8%	4,501
1957	15,861	18.92	18.2	.92	29.2	4,010
1956	13,098	16.50	5.6	.91	97.7	3,709
1955	13,081	16.48	9.6	.91	58.3	3,389
1954	12,567	15.83	10.0	.91	61.1	3,376
1953	11,089	16.76	21.4	.91	29.1	2,235
1952	8,176	15.45	23.2	.79	24.1	1,227
1951	6,838	12.92	17.7	.60	28.2	1,115
1950	6,022	11.38	8.3	.37	41.3	867
1949	5,474	10.74	22.2	.39	19.9	355

\*Adjusted for ten-for-one stock split in 1950, 20% stock dividend in 1957, 5% stock dividend in 1962, and 5% stock dividend in 1963.  
†Includes net extraordinary charge.



Officers

J. Robert Fluor . . .	<i>President (1946)</i>
J. Simon Fluor . . .	<i>Chairman of the Board (1921)</i>
Donald W. Darnell . . .	<i>Vice Chairman of the Board (1925)</i>
Melvin A. Ellsworth . . .	<i>Executive Vice President Engineering and Construction (1940)</i>
Robert W. Kerr . . .	<i>Executive Vice President Manufacturing (1960)</i>
Edmund C. Austin . . .	<i>Vice President Procurement (1958)</i>
William F. Chapin . . .	<i>Vice President Process Engineering and Development (1944)</i>
George H. Dieter . . .	<i>Vice President International Sales (1940)</i>
W. P. Downey . . .	<i>Vice President Construction (1930)</i>
Donald J. Engleman . . .	<i>Controller (1946)</i>
James D. Harris . . .	<i>Vice President General Counsel (1950)</i>
John G. Marshall . . .	<i>Vice President General Engineering (1946)</i>
Ernest Moncrief . . .	<i>Vice President Project and Design Engineering (1937)</i>
Donald M. Morgan . . .	<i>Treasurer (1941)</i>
Harold J. Neher . . .	<i>Secretary (1952)</i>
Jay L. Reed . . .	<i>Vice President Administration (1949)</i>
David S. Tappan . . .	<i>Vice President Sales (1952)</i>
James L. Tathwell . . .	<i>Vice President Subsidiaries (1939)</i>
James P. Wiseman . . .	<i>Vice President Mid-Continent Division (1942)</i>

Directors

J. Simon Fluor . . .	<i>Chairman of the Board (1949)</i>
Donald W. Darnell . . .	<i>Vice Chairman of the Board (1928)</i>
J. Robert Fluor . . .	<i>Fluor President (1946)</i>
Melvin A. Ellsworth . . .	<i>Fluor Executive Vice President (1956)</i>
Robert W. Kerr . . .	<i>Fluor Executive Vice President (1960)</i>
James P. Wiseman . . .	<i>Fluor Vice President (1946)</i>
Francis E. Fischer . . .	<i>Former Fluor Secretary-Treasurer (1928)</i>
Jan Oostermeyer . . .	<i>Chemical Consultant; former President, Shell Chemical Corporation (1953)</i>
Loren K. Olson . . .	<i>Attorney; former Member, U.S. Atomic Energy Commission (1962)</i>
Maurice H. Stans . . .	<i>Senior Partner, William R. Staats &amp; Co.; Former Director, U.S. Bureau of the Budget (1963)</i>

Major Subsidiaries

Fluor Engineering & Construction Co., Limited Finwell House 26, Finsbury Square, London, E. C. 2, England <i>Managing Director:</i> Arthur C. Sheffield (1942)
Fluor-Schuytvlot N. V. Post Office Box 634, Haarlem, Holland <i>Joint Managing Directors:</i> Victor Schuytvlot (1959) Frank G. Crawford (1942)
The Fluor Corporation of Canada, Ltd. 160 Bloor Street East, Toronto 5, Ontario, Canada
Fluor Products Company, Inc. Shiloh Road, Santa Rosa, California <i>President:</i> Robert W. Kerr (1960)

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

Stock Registrars

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

Auditors

Alexander Grant & Company, Los Angeles

Transfer Agents

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

General Counsel

Voegelin, Barton, Harris & Callister, Los Angeles

THE ANNUAL MEETING will be held at the main office, 10 a.m., Monday, March 9, 1964.



THE FLUOR CORPORATION, LTD., 2500 SOUTH ATLANTIC BOULEVARD, LOS ANGELES, CALIFORNIA 90022