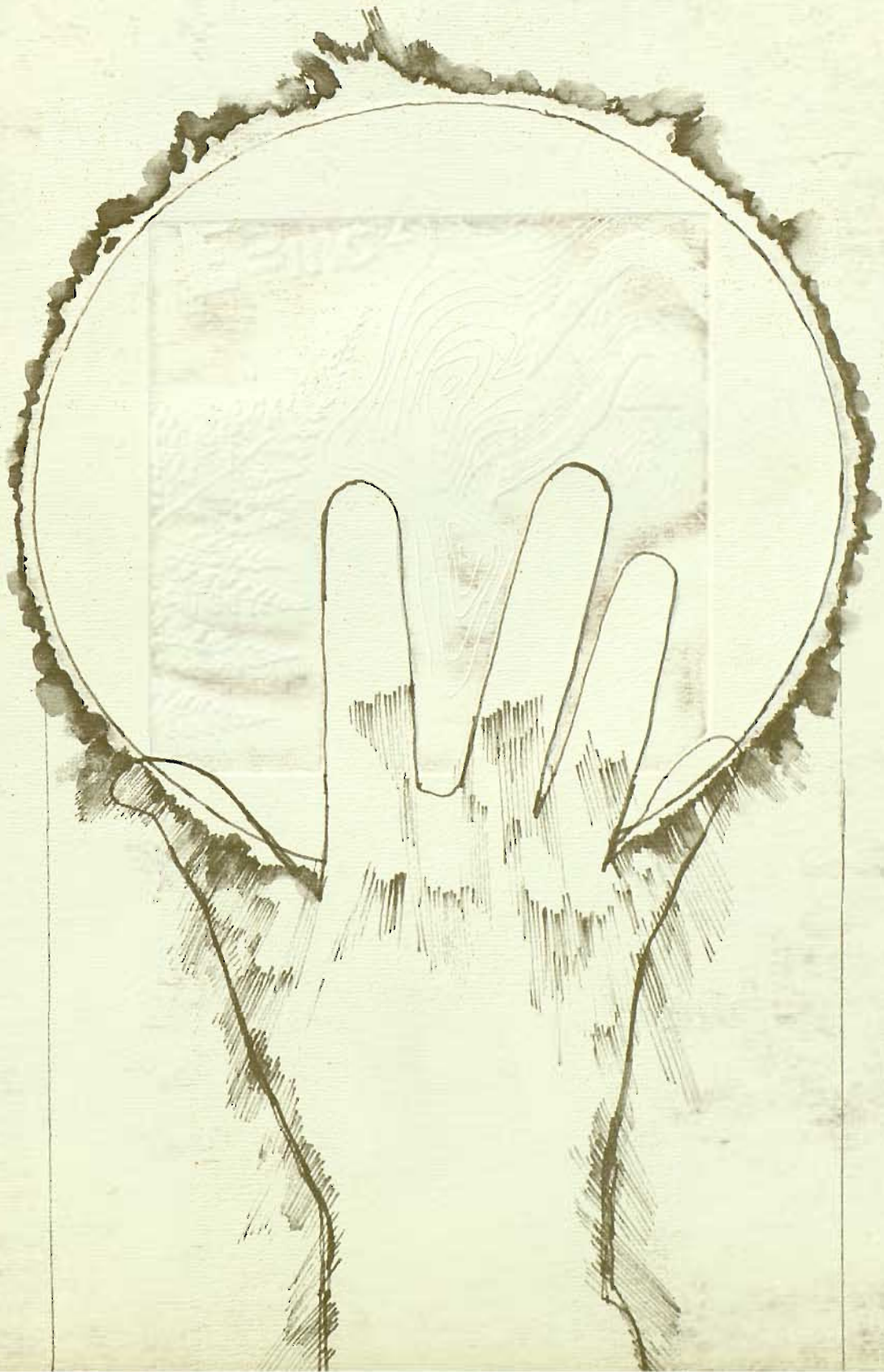
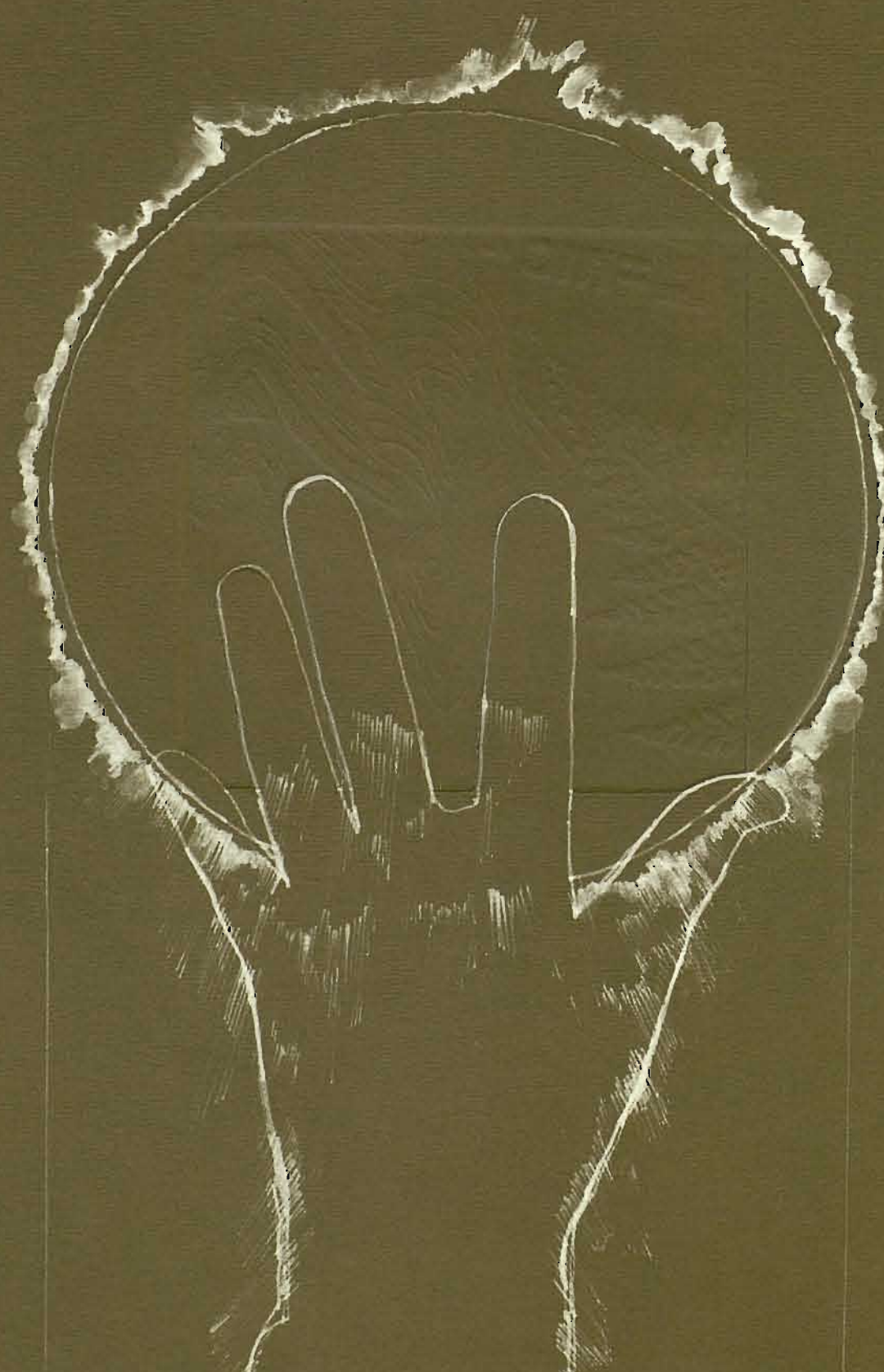


Fluor Corporation Annual Report 1972





Highlights

Fluor Corporation and Subsidiaries Annual Report for the Year Ended October 31, 1972

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

Fiscal Year	1972	1971	% Change
Revenue	\$ 412,740	\$ 613,875	-32.8
Net earnings	7,843	12,281	-36.1
Earnings per common share	.71	1.24	-42.7
Depreciation, depletion and amortization	18,151	15,840	+14.6
Funds provided from operations	24,479	29,825	-17.9
New orders received	\$ 672,000	\$ 324,000	+107.0
At Year End			
Backlog	\$ 698,000	\$ 439,000	+59.0
Working capital	34,035	29,842	+14.1
Net investment in property, plant and equipment	121,709	123,475	-1.4
Shareholders' equity	147,622	141,101	+4.6
Per share ⁽¹⁾	\$ 14.91	\$ 14.25 ⁽²⁾	+4.6
Shares outstanding			
Preferred			
Series A	—	93,925	—
Series B	440,569	440,599	—
Common	9,234,318	8,194,376	+7.3 ⁽²⁾

(1) Assumes conversion of preferred shares at pre-established conversion rates.

(2) Adjusted for 5% stock dividend.

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Annual Meeting

Fluor's Annual Meeting will be held at 10 a.m. on Monday, March 12, 1973, at the company's Los Angeles Division headquarters, 5559 Ferguson Drive, Los Angeles, California 90022.

Corporate Profile

J. R. Fluor, Chairman and Chief Executive Officer

Fluor means people. More than 6000 employees worldwide are the backbone of our diverse services to natural-resource industries. These specialists direct their skills toward helping clients find, produce, and process the fuels, chemicals, and metals that will be needed in ever-greater amounts.

Fluor's revenues and earnings in 1972 declined from 1971 levels as we suggested they might in last year's Annual Report. A continuing lack of activity in the U.S. refining, chemical, and petrochemical industries had an effect on results for the past fiscal year, as it will in 1973. In addition, two of our subsidiaries — which are discussed in the Operations Report — did not make anticipated profits.

But our Corporation ended the year with a most promising outlook. Record new orders of \$672 million increased total backlog to \$698 million at October 31. Opportunities for new work should continue to increase as the natural-resource industries expand their activities to meet growing energy demands. As a major supplier of services to these industries, Fluor Corporation shares their concern over how energy needs can be met, particularly in the United States.

Questions regarding environmental controls and oil import quotas need to be answered quickly. The growing dependence of the United States on imported energy sources will compound an already unfavorable balance of trade for this country. Added to these questions is the protracted lack of a coordinated national energy policy.

There are signs, however, that the situation may soon improve. Growing support for coordination of all energy policies under one branch of government and for the establishment of realistic environmental, health, and safety standards is most encouraging. Implementation of steps to achieve these goals would eliminate delays in the construction of urgently needed refineries and power plants.

With resolution of these problems will come an increased need for services like Fluor's. While the company's earnings for fiscal 1973 will probably not exceed those of last year, we believe that the rate of new orders we are currently experiencing will result in an improved profit picture in 1974.

We are confident that our decision to expand services to the natural-resource industries will prove to be a sound one in the years ahead. Establishment of a new subsidiary, Fluor Power, Inc., to serve the growing power market complements those services we already provide. Certainly, one of our major challenges will be to meet the unprecedented demand for all of the Corporation's services.





ILLUSTRATION BY ERNIE KOLLAR

The company's major services are: engineering, procurement, and construction of process plants, offshore installations, and mining and civil facilities; offshore drilling; distribution of specialized materials; and consulting and computer software programming.

Following are highlights of Fluor's operations:

Process-Plant Engineering and Construction

Despite diminished volume, Fluor Engineers and Constructors was quite busy throughout 1972 on engineering feasibility studies and early design work for future plants. The high level of inquiries and opportunities to bid on new projects that developed during the year is expected to continue.

In November 1972, this subsidiary turned over a 164,000-barrels-per-day grass-roots refinery to Mobil Oil Corporation. The refinery, located in Joliet, Illinois, is Fluor's largest project to date and is probably the largest grass-roots refining complex ever built in the United States. This facility, completed on time and under budget, will be the last major refinery to come on stream in the United States for the next two years.

New contracts received during the year included a joint-venture project with Thyssen Stahlunion Export to design and construct a 100,000-barrels-per-day refinery for the National Iranian Oil Company near Tehran, Iran — the second major grass-roots refinery that Fluor has been called on to build for the Iranian firm. Final go-ahead to procure equipment and begin construction also was given on another grass-roots refinery, located in Western Europe, under a contract received in the first quarter of fiscal 1972.

In December, Fluor Engineers and Constructors was selected by Alyeska Pipeline Service Company to complete the planning, engineering, and design of the mainline pumping stations and the Valdez terminal facilities required for the trans-Alaska crude oil pipeline. The contract represents one of the most demanding and extensive engineering assignments ever undertaken by a Fluor subsidiary.

At fiscal year end, Fluor Engineers and Constructors had six substitute natural gas projects — with feedstocks covering naphtha, crude oil, or coal — in various phases of work and was negotiating for two more. Of the six, two were in the preliminary feasibility stage, two were in the phase which determines a definitive process design and reconfirms the preliminary estimate, one was in the definitive estimating step, and the last of the six was in the engineering phase.

Because Federal Power Commission and

Environmental Protection Agency approvals are needed for these projects, none of the six had progressed to the final stage when full procurement and construction could begin. One project has already been submitted for approval, and two more are expected to be seeking permission to move ahead early in 1973. These projects collectively are worth more than \$1.5 billion, and should approval on one or several be granted, Fluor's process-plant backlog of uncompleted work could increase dramatically.

A strong training and development plan and an aggressive recruiting program are currently under way in both the Los Angeles and Houston Divisions. These should do much to help increase Fluor Engineers and Constructors' capacity to take on more projects.

Mining/Civil Engineering and Construction

Results for both Fluor Utah and its subsidiary, Fluor Australia, were somewhat disappointing in 1972. New orders of \$96 million for the year were lower than expected, and two loss projects — a tunneling job in Arizona and a dam construction project in Australia — materially affected profits for fiscal 1972.

The total expected losses on these fixed-price projects are included in 1972's results. The effects of such jobs, combined with the unfavorable marketing conditions in this type of work, caused Fluor management early in 1972 to de-emphasize fixed-price bidding for heavy civil and industrial projects.

Capabilities to participate in process-plant engineering and construction projects are being expanded within Fluor Australia. The potential for jobs such as gas-treating and other processing facilities is extremely high in the Australasia area. There are increasing signs, too, of a pick-up in spending for mining and metallurgical facilities in that area.

Australia's discovery of sizable quantities of oil and gas and the country's known abundant natural resources have led to planning for secondary processing of these resources. New facilities resulting from these plans should provide a good market for Fluor Australia's engineering-construction services.

Projects completed by these subsidiaries during the year included a \$15-million expansion of Marcona Mining Company's iron ore complex in Peru; a \$23-million coal facility for

a Utah International, Inc., subsidiary at Peak Downs, Queensland; and a \$10-million uranium mill for Exxon Company, U. S. A.

Ongoing projects include the \$500-million Cuajone copper complex for Southern Peru Copper Corporation. Fluor Utah and its subsidiary, Compania Constructora Utah, are performing the engineering and construction management for this massive job. Another project continuing into 1973 is the \$9-million contract to drive two tunnels for the U.S. Bureau of Reclamation's Navajo Irrigation System in New Mexico. It was on this project last summer that Fluor Utah crews, using a boring machine, broke the world record for rock tunneling.

A new contract received in 1972 calls for the design, procurement, and construction of a uranium mill and ancillary facilities for a group headed by Gulf Minerals Canada Limited in northern Saskatchewan, Canada. Another contract will see the modification of Kennecott Copper Corporation's smelter at Hurley, New Mexico, as part of a program to meet environmental standards. Fluor Utah also was awarded four tar sands studies by petroleum firms holding leases in the Athabasca region of northern Alberta, Canada.

Power Engineering and Construction

Among the more important developments within Fluor during 1972 was the establishment of Fluor Power, Inc., to provide engineering and construction services to companies in the power industry.

Named Senior Vice President of the Corporation and President of Fluor Power, Inc., was John T. Stiefel, who reports to President Melvin A. Ellsworth. Mr. Stiefel joined Fluor after 23 years with Westinghouse Electric Corporation, where he most recently served as Vice President and General Manager of the Pressurized Water Reactor Systems Division.

Fluor is currently recruiting technical personnel for this new subsidiary and is exploring the potential acquisition of an established architect-engineering firm in the power field. We believe that Fluor's experience in managing large projects in hydrocarbon processing, combined with a qualified staff with nuclear power experience, will give us a very real capability for serving the multi-billion-dollar market in the power industry.

Offshore Engineering and Construction

Fluor Ocean Services' operations during 1972 showed a dramatic improvement over the preceding fiscal period despite the fact that it was a loss year. Pipelaying, marine engineering and construction, and diving were profitable, with losses only attributed to fabrication and derrick barge operations.

Consolidation and restructuring of several activities during the year brought additional efficiencies to this subsidiary. Gulf Coast Division headquarters were relocated to Houma, Louisiana, and Engineering Services and International Operations were consolidated into the Engineering and Construction Division in Houston, Texas.

Pat H. Moore, formerly Vice President of International Operations, was named Senior Vice President and is responsible for the Gulf Coast Division, Engineering and Construction Division, Marketing, and London operations. He reports directly to this subsidiary's President, James L. Tathwell.

In June, the RB-2 — Fluor Ocean Services' patented pipelaying barge — passed the one-million-foot mark in laying marine pipeline in the Gulf of Mexico. The barge, which can lay pipe up to 12¾ inches in diameter, enjoyed a good market for its services throughout the year. Offshore lease sales held in the Gulf of Mexico in September and December of 1972 point to an increased need for pipelaying and engineering-construction services there.

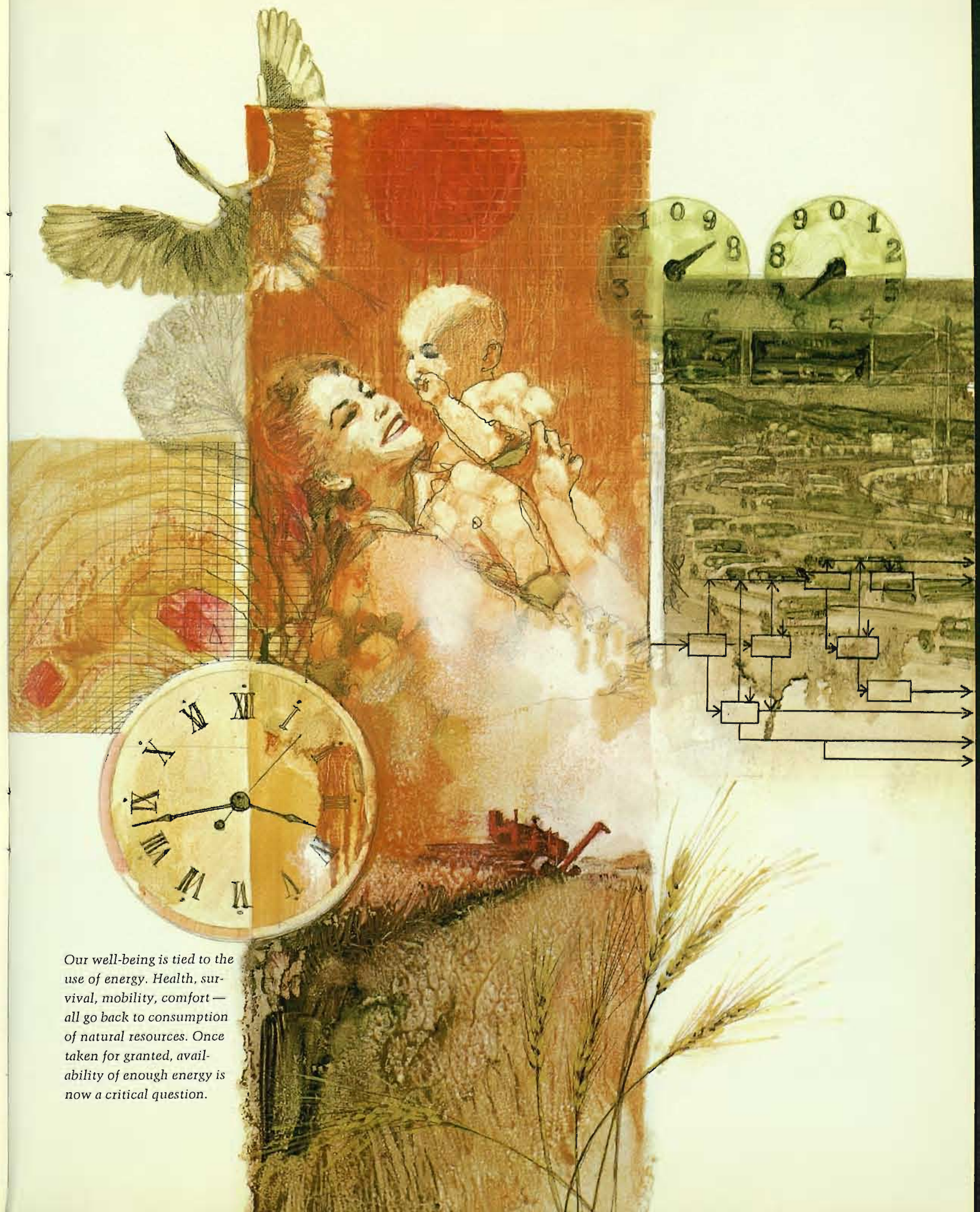
Prospects are also encouraging in other parts of the world. At year end, in fact, discussions were under way on plans to construct an additional reel barge for use in other areas outside the Gulf of Mexico.

Contracts received during the year included one for the design and construction management of one of the world's largest offshore oil-field waterfloods. The project calls for installation of facilities to pump 300,000 barrels per day of treated sea water into the El Morgan oil field, located in the Gulf of Suez.

Drilling Services

Fluor Drilling Services had one of its best years, averaging an 87-percent utilization of its offshore operating units. This rate would have been still higher had there not been considerable downtime of rigs in the Gulf of Mexico during the second half of the year. The Sep-

ILLUSTRATION BY NEIL BOYLE



Our well-being is tied to the use of energy. Health, survival, mobility, comfort — all go back to consumption of natural resources. Once taken for granted, availability of enough energy is now a critical question.



The American people are awakening to an energy crisis that must be averted by unprecedented investment in new hydrocarbon reserves and processing plants. However, wise use of natural resources means not only exploiting them, but also meeting the challenge of conserving them while finding ways to protect the environment. In addition, developed nations must intensify international trade to offset energy purchases from abroad.

ILLUSTRATION BY GEORGE BARTELL

tember and December lease sales have already turned this marketing situation around, and we anticipate higher utilization during 1973.

All of Fluor Drilling Services' floating barges are on long-term contracts outside the United States. The WODECO III is at work in the Persian Gulf; the WODECO IV is on assignment off Taiwan; the WODECO V is off Tunisia; the WODECO VI is in the Gulf of Siam; and the WODECO VII is in the Java Sea. The subsidiary's new jack-up rig, Mr. Mel, was commissioned in September and is now working on an assignment in the Gulf of Mexico.

Fluor's participation in overseas oil concessions is directed by Fluor Drilling Services. These participations already promise to bear fruit. On a concession in West Irian, Indonesia, for example, oil was discovered in October and tested at 2400 barrels per day in the first well drilled. Additional drilling to determine the size of the field is now being conducted, and plans are under way to bring the field on production by mid-summer of 1973. Fluor owns a 10-percent participation in this concession.

The second discovery was in the Aegean Sea on a lease in which Fluor owns a 12.5-percent interest. In January 1973, completed production testing revealed good flows of gas and 61-degree API gravity condensate from three zones. This is the first significant discovery of natural gas and liquid hydrocarbons in Greece, which presently imports all of its requirements.

A 10-percent interest in a concession in the British North Sea represents the newest participation. Seismic studies are currently being evaluated preparatory to exploratory drilling on the block, but the first drilling is not planned for the immediate future.

Supply Services

Kilsby Tubesupply Company and The Republic Supply Company of California both enjoyed excellent years. Kilsby's record year in the specialty pipe and tubing business reflected improved performance from all six regional inventory centers. In its first year of operation, the Tulsa warehouse became profitable. Increased volume brought about a need for equipment modernization in both Dallas and San Leandro. As 1973 began, plans had been approved for an equipment moderniza-

tion program in Seattle, a 15,000-square-foot addition in Portland, and construction of a new office-warehouse in Los Angeles.

Republic also had a very healthy year, despite a slowdown in one of their major markets, oil-field drilling and production. Increased activity in the industrial markets and the expansion of contract selling contributed greatly to Republic's 1972 performance. This subsidiary will open a new branch in Tucson, Arizona, during 1973, primarily to offer equipment to the mining industry.

Oil and Gas Properties

Fluor's Oil and Gas Division's royalty and working interests in U. S., Canadian, and Gulf of Mexico properties produced 712,000 barrels of crude oil and 7.4 billion cubic feet of natural gas in 1972. Of the 285 wells drilled on the properties during the year, 251 — or 88 percent — were successful.

A more aggressive exploration program begun early in the year resulted in a discovery of commercial quantities of natural gas in one effort in Mississippi; exploitation of this discovery will begin during fiscal 1973. At year end, the Division reported a find of commercial quantities of natural gas in a West Texas well in which Fluor holds a 14.5-percent interest. An initial production test showed a calculated absolute open flow potential of 93 million cubic feet of gas per day. A series of additional wells is scheduled to be drilled in a development program.

The Division is continuing to seek additional opportunities to join with other firms in promising oil and gas projects.

Underwater Production Systems

Deep Oil Technology installed four underwater completion wells in the Persian Gulf for the Iranian Marine International Oil Company during the fiscal year. The wells' production is controlled remotely from a console some three to four miles away, one of the unique features of the Deep Oil Technology underwater production system.

Growing interest by oil companies in sub-sea production systems has resulted in two additional contracts for this subsidiary. These small yet meaningful projects call for Deep Oil Technology to furnish prototypes of certain portions of its proprietary system.

Late in 1972, Fluor Corporation purchased the 20-percent interest in Deep Oil Technology held by Ocean Science and Engineering. This purchase makes the company a wholly owned subsidiary of Fluor.

Specialized Consulting and Computer Services

Bonner & Moore Associates experienced additional growth in European contracts for computer process control, with major assignments received in France, Germany, and Czechoslovakia. An additional contract to develop a major data processing system was awarded in Italy. Bonner & Moore Computing Company, a subsidiary that supplies computer services to other firms, had higher revenues and established a profitable business base in 1972. There continues to be a strong demand for Bonner & Moore Associates' consulting services by various government agencies.

CORPORATE DEVELOPMENTS

In a realignment of our corporate financial structure, Walter P. Rozett has joined the Corporation in the newly created position of Senior Vice President — Finance. He has also been elected to the Board of Directors and has been named to the Executive Committee. As part of the realignment, Ronald G. Cullis, formerly Manager of Corporate Development, has been named Controller, reporting to Mr. Rozett. Mr. Cullis remains responsible for the company's planning function. The Computer Services and Management Information Systems Departments also now report to the Senior Vice President — Finance.

At the same time, Harold J. Neher—formerly Vice President — Corporate Services — was named Vice President and Assistant to the President. In his new position, Mr. Neher will assist Mr. Ellsworth in the direction of the following subsidiaries and divisions: Fluor Ocean Services, Deep Oil Technology, Oil and Gas Division, Bonner & Moore Associates, Kilsby Tubesupply Company, and The Republic Supply Company of California.

Capital expenditures during 1972 totaled \$18.4 million. Nearly half of this went toward Mr. Mel, a new jack-up drilling rig. Other major expenditures were primarily for heavy construction equipment and for a new engineering office in The Netherlands.

Fluor recently acquired a four-year option

ILLUSTRATION BY GEORGE BARTELL



Earth's oil, natural gas,
and coal reserves are finite.
We must perfect new sources
of energy, such as fission,
fusion, geothermal, and
solar power. Fluor will
continue to contribute to
this vital effort.

to purchase a 105.6-acre site in the Irvine Industrial Complex in Orange County, California. Exercise of the option hinges on continued improvement in our business. Purchase of the property would result in a relocation of our corporate headquarters and other Southern California operations within seven years; Fluor would sell its present Los Angeles facilities.

The Corporation is also seeking suitable opportunities to divest interests in various real estate properties. Fluor currently owns interests in three such ventures as well as some undeveloped land in Northern California.

Fluor continues to be responsive to needs of the communities in which the company has offices. In 1972, for example, the Fluor Foundation gave nearly \$175,000 to higher education institutions and more than \$185,000 to charitable organizations. Our internal fund-raising drives, in which employees contribute to charities of their choice, consistently rank Fluor among the highest contributors for drives of this type within industrial firms.

City of Commerce Investment Company

(CCIC), Fluor's two-year-old subsidiary that serves as a private investment and management development company for minority business enterprises, continues to be one of the few such firms to be operating successfully in the United States. CCIC has aided 56 firms to date, and has invested in 17 of them.

People Growth, Inc., our subsidiary engaged in presenting management development training programs, led training sessions for 560 Fluor employees in Los Angeles and began a new program for more than 100 Fluor Utah employees in San Mateo. This subsidiary's list of outside business and government clients expanded dramatically in 1972.

At the regular December meeting, your Board of Directors declared a five-percent stock dividend on the company's common stock, payable March 12, 1973, to holders of record on January 24, 1973. The Board also declared its regular quarterly cash dividend on the Series B preferred stock. At year end, there were approximately 18,000 individual shareholders of Fluor common stock.

Consolidated Backlog at October 31, 1972

(Dollar amounts are in thousands)

	1972		1971		1970		1969		1968	
	\$	%	\$	%	\$	%	\$	%	\$	%
Engineering and Construction										
Petroleum/Gas Processing	469,350	67.3	209,676	47.7	480,940	60.7	513,555	58.7	387,355	55.2
Chemical/Petrochemical	47,676	6.8	72,746	16.6	118,627	15.0	155,745	17.8	266,893	38.0
Power	2,717	.4	1,028	.2	15,255	1.9	43,426	5.0	—	—
Mining and Civil	160,555	23.0	135,812	30.9	152,518	19.3	117,743	13.5	—	—
Offshore	4,767	.7	7,233	1.7	7,472	.9	4,055	.5	—	—
Drilling	12,000	1.7	12,500	2.8	17,000	2.2	39,364	4.5	40,000	5.7
Other	594	.1	377	.1	—	—	—	—	7,984	1.1
Total	697,659	100.0	439,372	100.0	791,812	100.0	873,888	100.0	702,232	100.0
United States	268,017	38.4	202,925	46.2	461,996	58.3	522,734	59.8	401,168	57.1
Outside U. S.	429,642	61.6	236,447	53.8	329,816	41.7	351,154	40.2	301,064	42.9
Total	697,659	100.0	439,372	100.0	791,812	100.0	873,888	100.0	702,232	100.0

Officers and Directors

OFFICERS

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

DIRECTORS

J. Robert Fluor *Chairman of the Board* (1946)
J. Simon Fluor *Honorary Chairman of the Board* (1949)
Thomas P. Pike *Vice Chairman of the Board* (1969)
Melvin A. Ellsworth *President* (1956)
Sibrand Jurriaans *Partner of Pierson, Heldring & Pierson* (1964)
Warren F. Kane *Senior Vice President* (1970)
Ross A. McClintock *Senior Vice President* (1969)
Ernest Moncrief *Vice President* (1967)
Loren K. Olson *Attorney, former Member, U. S. Atomic Energy Commission* (1962)
John K. Pike *President, Kilsby Tubesupply Company* (1969)
Walter P. Rozett *Senior Vice President* (1972)
Arthur C. Sheffield *Vice President* (1971)
David S. Tappan, Jr. *Senior Vice President* (1965)
James L. Tathwell *Senior Vice President* (1966)
Charles Weiner *Partner, Texas Crude Oil Company* (1969)

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

Consolidated Balance Sheets

Fluor Corporation and Subsidiaries October 31, 1972 and 1971

ASSETS

<i>Current Assets</i>	1972	1971
Cash	\$ 3,128,000	\$ 13,707,000
Marketable securities (at cost, which approximates market) and time deposits	20,068,000	13,180,000
Accounts receivable	31,671,000	46,637,000
Unbilled charges on contracts in process (Note 1)	20,956,000	23,391,000
Inventories — at lower of cost (determined by the average and first-in, first-out methods) or market	10,456,000	9,070,000
Prepaid charges and deposits	4,621,000	5,974,000
Total current assets	90,900,000	111,959,000
<i>Property, Plant and Equipment — at cost (Notes 1 and 2)</i>		
Buildings and land improvements	24,500,000	20,533,000
Machinery and equipment	61,965,000	57,388,000
Drilling and marine equipment	84,696,000	83,880,000
	171,161,000	161,801,000
Less accumulated depreciation and amortization	73,703,000	63,577,000
	97,458,000	98,224,000
Land	8,672,000	9,287,000
	106,130,000	107,511,000
Oil and gas properties	27,586,000	27,053,000
Less depletion and depreciation	12,007,000	11,089,000
	15,579,000	15,964,000
Property, plant and equipment — net	121,709,000	123,475,000
<i>Other Assets</i>	19,264,000	22,985,000
	\$231,873,000	\$258,419,000

LIABILITIES AND SHAREHOLDERS' EQUITY

<i>Current Liabilities</i>	1972	1971
Short-term bank loans	\$ —	\$ 8,000,000
Current portion of long-term debt (Note 2)	6,002,000	3,118,000
Accounts payable	15,951,000	25,948,000
Customers' deposits and advance payments (Note 1)	14,225,000	19,753,000
Income taxes	4,405,000	7,410,000
Accrued liabilities	16,282,000	17,888,000
Total current liabilities	56,865,000	82,117,000
<i>Long-Term Debt — less current portion (Note 2)</i>	9,874,000	16,441,000
<i>Deferred Credits (Note 1)</i>		
Unearned fees on contracts	3,497,000	3,270,000
Income taxes and other	14,015,000	15,490,000
Total deferred credits	17,512,000	18,760,000
<i>Shareholders' Equity</i>		
Capital Stock (Notes 3 & 4)		
Preferred — authorized 1,000,000 shares without par value; issued and outstanding		
1972 — 440,569 shares (liquidation preference — \$44,056,900)	366,000	—
1971 — 534,524 shares (liquidation preference — \$53,452,400)	—	706,000
Common — authorized 20,000,000 shares of \$.62½ par value; issued and outstanding		
1972 — 9,234,318 shares	5,772,000	—
1971 — 8,194,376 shares	—	5,122,000
Additional capital	89,763,000	80,289,000
Retained earnings (Note 2)	51,721,000	54,984,000
Total shareholders' equity	147,622,000	141,101,000
	\$231,873,000	\$258,419,000

The accompanying notes are an integral part of these statements.

Statements of Consolidated Earnings

Fluor Corporation and Subsidiaries Years Ended October 31, 1972 and 1971

Revenue (Note 1)	1972	1971
Engineering and construction		
Process-plant	\$242,692,000	\$431,763,000
Mining and Civil	62,269,000	79,636,000
Offshore	24,826,000	23,241,000
	329,787,000	534,640,000
Drilling services	27,145,000	29,921,000
Supply services	49,081,000	42,339,000
Other	6,727,000	6,975,000
Total revenue	412,740,000	613,875,000
Costs and Expenses		
Engineering and construction		
Process-plant	229,750,000	408,407,000
Mining and Civil	61,211,000	74,878,000
Offshore	27,309,000	29,219,000
	318,270,000	512,504,000
Drilling services	21,945,000	23,334,000
Supply services	45,865,000	39,901,000
Other	6,115,000	6,626,000
Corporate administrative and general expenses	7,926,000	8,555,000
Total costs and expenses	400,121,000	590,920,000
Operating profit	12,619,000	22,955,000
Other income and deductions—net	1,260,000	2,038,000
Earnings before income taxes	13,879,000	24,993,000
Income taxes (Note 1)		
Current	7,551,000	11,008,000
Deferred	(1,515,000)	1,704,000
Total income taxes	6,036,000	12,712,000
NET EARNINGS	\$ 7,843,000	\$ 12,281,000
Earnings per common share (Note 5)	\$.71	\$1.24

The accompanying notes are an integral part of these statements.

Statements of Consolidated Retained Earnings

Fluor Corporation and Subsidiaries Years Ended October 31, 1972 and 1971

	1972	1971
Retained earnings—beginning of year	\$54,984,000	\$53,147,000
Net earnings for the year	7,843,000	12,281,000
	62,827,000	65,428,000
Dividends paid		
Cash—preferred stock	1,322,000	1,915,000
Common stock—5% at fair market value		
439,729 shares	9,784,000	—
371,967 shares	—	8,416,000
Excess of cost over stated value of 656 Series A preferred shares reacquired and retired	—	113,000
	11,106,000	10,444,000
Retained earnings—end of year (Note 2)	\$51,721,000	\$54,984,000

Statements of Consolidated Additional Capital

Fluor Corporation and Subsidiaries Years Ended October 31, 1972 and 1971

	1972	1971
Additional capital—beginning of year	\$80,289,000	\$71,557,000
Excess of fair market value over par value of common shares issued as 5% stock dividends	9,509,000	8,183,000
Amounts arising from exercise of stock options	—	572,000
Amounts arising from conversion of preferred shares into common shares	(35,000)	(20,000)
Other	—	(3,000)
Additional capital—end of year	\$89,763,000	\$80,289,000

The accompanying notes are an integral part of these statements.

Statements of Consolidated Changes in Financial Position

Fluor Corporation and Subsidiaries Years Ended October 31, 1972 and 1971

Sources of funds	1972	1971
Net earnings	\$ 7,843,000	\$ 12,281,000
Add (deduct) items which did not require the use of working capital		
Depreciation, depletion and amortization (Note 1)	18,151,000	15,840,000
Provision for deferred federal and foreign income taxes (Note 1)	(1,515,000)	1,704,000
Funds provided from operations	24,479,000	29,825,000
Exercise of stock options	—	618,000
Decrease (increase) in investments	4,740,000	(962,000)
Increase in unearned fees on contracts	227,000	1,330,000
Additions to long-term debt	1,292,000	3,315,000
Increase in other liabilities	40,000	274,000
	30,778,000	34,400,000
Dispositions of funds		
Additions to property, plant and equipment—net	15,626,000	28,677,000
Reductions of long-term debt	7,860,000	3,360,000
Cash dividends paid on preferred stock	1,322,000	1,915,000
Reduction of reserved production payment	—	1,039,000
Increase in other assets	1,777,000	901,000
Other	—	119,000
	26,585,000	36,011,000
Net increase (decrease) in working capital	\$ 4,193,000	\$ (1,611,000)
Changes in components of working capital—increase (decrease)		
Current assets		
Cash	\$(10,579,000)	\$ 1,108,000
Marketable securities and time deposits	6,888,000	(9,157,000)
Accounts receivable	(14,966,000)	(2,120,000)
Unbilled charges on contracts in process	(2,435,000)	(9,551,000)
Inventories	1,386,000	(496,000)
Prepaid charges and deposits	(1,353,000)	909,000
	(21,059,000)	(19,307,000)
Current liabilities		
Short-term bank loans	(8,000,000)	8,000,000
Current portion of long-term debt	2,884,000	(2,390,000)
Accounts payable	(9,997,000)	(2,649,000)
Customers' deposits and advance payments	(5,528,000)	(20,799,000)
Income taxes	(3,005,000)	66,000
Accrued liabilities	(1,606,000)	76,000
	(25,252,000)	(17,696,000)
Net increase (decrease) in working capital	\$ 4,193,000	\$ (1,611,000)

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements

Fluor Corporation and Subsidiaries October 31, 1972

NOTE 1—SUMMARY OF ACCOUNTING POLICIES.

Principles of Consolidation. The financial statements include the accounts of Fluor Corporation and all domestic and foreign subsidiaries. The equity method of accounting is used for investments in partnerships, joint ventures, and companies where ownership ranges from 20% to 50%. Fiscal 1971 includes certain reclassifications to conform to the statement presentation of fiscal 1972.

Accounting for Foreign Operations. The accounts of the foreign subsidiaries have been translated into U.S. currency at appropriate exchange rates. Gains and losses on exchange rates, which were immaterial during fiscal 1972, are recognized in the current accounting period. The equity in the net assets of the foreign subsidiaries approximated \$19,000,000 at October 31, 1972.

Engineering and Construction Contracts. The company and subsidiaries follow the general principle of recognizing income on engineering and construction contracts on the percentage of completion method in the proportion that aggregate costs related to the contracts bear to total estimated contract costs. Costs and estimated earnings to date in excess of amounts billed on contracts in process are classified as current assets under unbilled charges. Amounts billed in excess of costs and estimated earnings to date are classified as current liabilities under customers' deposits and advances and deferred credits under unearned fees.

Depreciation, Depletion, and Amortization. Depreciation and depletion related to oil and gas properties are based principally on the units-of-production method. Depreciation and amortization of all other property, plant, and equipment are provided for in amounts sufficient to charge the costs of depreciable assets to operations over their estimated service lives either on a straight line or accelerated basis. Leasehold improvements are amortized over the lives of the respective leases or the service lives of the improvements, whichever is shorter. Costs and accumulated depreciation applicable to assets retired, or otherwise disposed of, are eliminated from the accounts, and any resultant gains or losses are credited or charged to other income or deductions.

Goodwill. No amortization is provided for goodwill arising from acquisitions prior to October 31, 1970. Goodwill arising after such date will be amortized over periods not to exceed forty years.

Income Taxes. Current Federal income taxes are reduced by the investment tax credit using the flow-through method. Deferred income taxes are provided to recognize the effect of timing differences between financial statement and income tax accounting, and are principally related to depletion, depreciation, and amortization.

NOTE 2—LONG-TERM DEBT. Long-term debt consists of the following:

	TOTAL	CURRENT PORTION	NONCURRENT PORTION
5¾% unsecured note—due November 1, 1978 (a)	\$5,000,000	\$ 750,000	\$4,250,000
5% subordinated note—due December 1, 1972	1,000,000	1,000,000	—
6% note—collateralized by first trust deed—due in monthly installments of \$26,000 including interest, due June 1, 1978	2,080,000	90,000	1,990,000
5½% unsecured note—due in quarterly installments of \$231,000 plus interest, due October 30, 1973 (a)	3,006,000	3,006,000	—
8¾% notes—collateralized by building and land mortgages, due on varying dates to January 1, 1987 (b)	3,406,000	310,000	3,096,000
Other notes and mortgages	1,384,000	846,000	538,000
	\$15,876,000	\$6,002,000	\$9,874,000

(a) The 5¾% note is payable in annual installments of \$500,000 through November 1, 1972, and \$750,000 thereafter to maturity. Interest is payable semiannually. The loan agreement and the 5½% unsecured note loan agreement include provisions restricting working capital and payment of cash dividends. At October 31, 1972, approximately \$43,800,000 of consolidated retained earnings were unrestricted for payment of cash dividends.

(b) The 8¾% notes are payable in annual installments of \$310,000 through fiscal 1976, and \$217,000 thereafter. Interest is payable annually.

NOTE 3—CAPITAL STOCK. Fiscal 1972 capital stock transactions are summarized as follows:

	PREFERRED SHARES		COMMON SHARES
	\$5.50 SERIES A	\$3.00 SERIES B	
Issued and outstanding—November 1, 1971	93,925	440,599	8,194,376
5% stock dividend	—	—	439,729
Conversions	(93,925)	(30)	600,213
Issued and outstanding—October 31, 1972	—	440,569	9,234,318

\$3.00 Series B Preferred Stock. Each share is cumulative as to dividends and is entitled to one vote. Dividends have been paid or declared to September 30, 1972. Commencing April 1, 1974, each share is redeemable at \$103 a share plus accrued dividends. In addition, each share is convertible into 1.52 shares of common (subject to adjustments to prevent dilution) and 669,665 shares of common are reserved for the conversion privilege.

Common Stock Dividend. In December 1972, the Board of Directors declared a 5% common stock dividend payable March 12, 1973, to shareholders of record January 24, 1973. This transaction will be recorded as a reduction of retained earnings and an addition to capital accounts during fiscal 1973.

NOTE 4—STOCK OPTIONS.

At the 1972 annual meeting, shareholders approved (i) the 1971 Fluor Stock Option Plan (Tandem Plan), (ii) termination of the 1968 and 1971 Fluor Qualified Stock Option Plans, (iii) cancellation of all options then outstanding under the 1968 Plan, and (iv) the grant, to the same optionees, of options under the new Tandem Plan in replacement of and on the same number of shares as the canceled 1968 Plan options. On March 20, 1972, the 1968 Plan options were canceled and Tandem Plan options were granted as summarized below. On October 31, 1972, various officers and employees held Tandem Plan options to purchase 357,910 shares of common stock at prices ranging from \$17.69 to \$24.50 a share. The Tandem Plan provides for the concurrent grant, at fair market value at date of grant, of a qualified and a non-qualified stock option on the same number of shares.

Options to purchase 4,358 shares of Series B preferred stock and 31,113 shares of common stock (assumed in the Pike acquisition) were outstanding at October 31, 1972, at unit prices ranging from \$20.125 to \$31.50. A unit is composed of .08 share of Series B preferred and .5713 share of common. These options must be exercised in units and once canceled are not available for regrant.

Fiscal 1972 transactions, reflecting the foregoing actions and adjusted for the 5% common stock dividend issued in March 1972, are summarized as follows:

	COMMON SHARES		
	AUTHORIZED	UNDER OPTION	AVAILABLE
<i>1968 and 1971 Qualified Plans</i>			
Balance—October 31, 1971	679,651	300,149	379,502
5% stock dividend	33,982	15,007	18,975
Canceled	—	(5,663)	5,663
March 20, 1972, cancellation	(713,633)	(309,493)	(404,140)
Balance	—	—	—
<i>Tandem Plan</i>			
Plan adopted	713,633	—	713,633
March 20, 1972, grant	—	309,493	(309,493)
Other grants	—	70,222 (a)	(70,222)
Canceled	—	(21,805)	21,805
Balance—October 31, 1972	713,633	357,910 (b)	355,723

	SHARES UNDER OPTION (c)	
	PREFERRED	COMMON
<i>Assumed (Pike)</i>		
Balance—October 31, 1971	4,918	33,440
5% stock dividend	—	1,672
Canceled	(560)	(3,999)
Balance—October 31, 1972	4,358	31,113

(a) The Company is of the opinion that these grants comply with rules and regulations of the Pay Board. A confirmation of that interpretation was sought from the Pay Board but to date no response to this request has been received.

(b) Exercisable March 20, 1973—287,688 shares; remainder exercisable at later dates.

(c) Fully exercisable.

NOTE 5—EARNINGS PER SHARE.

Earnings per common share and common equivalent share are computed after preferred dividend requirements, and are based upon the weighted average number of shares of common stock outstanding during the year plus outstanding common stock options having a dilutive effect upon earnings. The computation of earnings per common share, assuming full dilution for fiscal 1972, is not applicable since the effect of the computation is anti-dilutive. The computation of earnings per common share, assuming full dilution for fiscal 1971, amounted to \$1.24.

NOTE 6—COMMITMENTS AND GUARANTEES.

The company and its subsidiaries are contingently liable for commitments and performance guarantees arising in the ordinary course of business. In the opinion of management, current claims against these commitments and guarantees will not result in material losses.

Report of Independent Accountants

To the Board of Directors and Shareholders
Fluor Corporation

We have examined the consolidated balance sheet of Fluor Corporation and subsidiaries as of October 31, 1972, and the related statements of consolidated earnings, retained earnings, additional capital 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. We did not examine the financial statements of certain foreign subsidiaries, whose total assets, revenues and net earnings constitute 18%, 17% and 38%, respectively, of the related consolidated totals. These statements were examined by other auditors whose reports thereon have been furnished to us and our opinion expressed herein, insofar as it relates to the amounts included for these subsidiaries, is based solely upon the reports of the other auditors. We made a similar examination for the year ended October 31, 1971.

In our opinion, based upon our examination and the aforementioned reports of other independent public accountants, the financial statements referred to above present fairly the consolidated financial position of Fluor Corporation and subsidiaries at October 31, 1972, and the related 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.

Alexander Grant & Company

Los Angeles, California
December 15, 1972

Five-year Financial and Operating Summary

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

<i>Earnings and dividends</i>	1972	1971	1970	1969	1968
Revenue	\$412,740	\$613,875	\$513,438	\$434,638	\$373,850
Costs and expenses	400,121	590,920	487,510	404,067	344,231
Operating profit	12,619	22,955	25,928	30,571	29,619
Other income and deductions — net	1,260	2,038	3,265	3,277	1,118
Earnings before income taxes	13,879	24,993	29,193	33,848	30,737
Income taxes	6,036	12,712	14,480	16,751	15,446
Earnings before extraordinary items	7,843	12,281	14,713	17,097	15,291
Extraordinary items	—	—	—	3,518	—
<i>Net earnings</i>	7,843	12,281	14,713	20,615	15,291
Cash dividends paid on preferred stock	1,322	1,915	2,106	1,865	1,543
<i>Reinvested earnings</i>	\$ 6,521	\$ 10,366	\$ 12,607	\$ 18,750	\$ 13,748

Earnings per share

Earnings per common share and common equivalent share					
Before extraordinary items	\$.71	\$1.24	\$1.54	\$1.86	\$1.75
Extraordinary items	—	—	—	.43	—
Net earnings	\$.71	\$1.24	\$1.54	\$2.29	\$1.75
Earnings per common share— assuming full dilution					
Before extraordinary items	\$.71	\$1.24	\$1.50	\$1.73	\$1.64
Extraordinary items	—	—	—	.36	—
Net earnings	\$.71	\$1.24	\$1.50	\$2.09	\$1.64

<i>Depreciation, depletion and amortization</i>	\$ 18,151	\$ 15,840	\$ 14,989	\$ 12,316	\$ 10,362
<i>Funds provided from operations</i>	\$ 24,479	\$ 29,825	\$ 30,731	\$ 33,612	\$ 28,771

General

New orders received during year	\$672,000	\$324,000	\$448,000	\$527,000	\$408,000
Backlog at end of year	\$698,000	\$439,000	\$792,000	\$874,000	\$702,000

Earnings per share and shareholders' equity per share have been adjusted for 5% stock dividend in 1968 through 1972, and 2-for-1 stock split in 1968.

Shareholders' equity per share assumes conversion of preferred shares at pre-established conversion rates.

All figures for 1968 restated to include pooling of interests.

<i>Financial Position</i>	1972	1971	1970	1969	1968
Current assets	\$ 90,900	\$ 111,959	\$ 131,266	\$ 126,324	\$ 103,456
Current liabilities	(56,865)	(82,117)	(99,814)	(86,702)	(65,249)
Working capital	34,035	29,842	31,452	39,622	38,207
<i>Property, plant and equipment—gross</i>	207,419	198,141	171,072	144,189	130,328
Property, plant and equipment—net	121,709	123,475	108,902	84,459	75,531
Other assets	19,264	22,985	21,819	20,216	13,084
Deferred credits	(17,512)	(18,760)	(15,451)	(13,439)	(11,681)
Total	\$ 157,496	\$ 157,542	\$ 146,722	\$ 130,858	\$ 115,141

Equity and capitalization

Long-term debt	\$ 9,874	\$ 16,441	\$ 16,486	\$ 17,465	\$ 23,967
Shareholders' equity	147,622	141,101	130,236	113,393	91,174
Total capitalization	\$ 157,496	\$ 157,542	\$ 146,722	\$ 130,858	\$ 115,141

Shares outstanding

Preferred					
Series A	—	93,925	155,781	157,662	161,392
Series B	440,569	440,599	439,971	343,933	298,525
Common	9,234,318	8,194,376	7,389,796	7,026,880	6,662,477

Statistics

Ratio of current assets to current liabilities	1.6 to 1	1.4 to 1	1.3 to 1	1.5 to 1	1.6 to 1
Percent of total capitalization					
Long-term debt	6.3	10.4	11.2	13.3	20.8
Shareholders' equity	93.7	89.6	88.8	86.7	79.2
Shareholders' equity per share	\$14.91	\$14.25	\$13.21	\$11.68	\$8.71
Percent of net earnings to average equity					
	5.4	9.1	12.1	20.2	18.6

Principal Subsidiaries and Divisions

Offshore and power engineering-construction services, oil and gas properties, underwater completion systems, specialized consulting and computer services, and supply services under the direction of Corporate President Melvin A. Ellsworth

Fluor Ocean Services, Inc. 6200 Hillcroft Avenue, Houston, Texas 77036

President: James L. Tathwell

Fluor Power, Inc. 2500 South Atlantic Boulevard, Los Angeles, California 90040

President: John T. Stiefel

Oil and Gas Division 615 Midland Tower Building, Midland, Texas 79701

Vice President: James P. Milor

Deep Oil Technology, Inc. 1601 Water Street, Long Beach, California 90802

President: Edward E. Horton

Bonner & Moore Associates, Inc. 500 Jefferson Building, Houston, Texas 77002

President: Joe F. Moore

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.

Process-plant engineering and construction and related services under the direction of Senior Vice President David S. Tappan, Jr.

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 N. 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. 123 Eglinton Avenue East, Toronto 12 Ontario, Canada

President: C. Fred Royse

China Fluor Engineering & Construction Co. Ltd. 425 Tun Hwa S. Road, Taipei (106), Taiwan, Republic of China

President: J. Patrick Keating

Mining/civil services under the direction of Senior Vice President Warren F. Kane

Fluor Utah, Inc. 177 Bovet Road, San Mateo, California 94402

Executive Vice President: Boyd C. Paulson

Fluor Australia Pty. Limited 201-217 Fitzroy Street, St. Kilda, Victoria, Australia 3182

Vice President and Managing Director: Daniel W. Dailey

Drilling services under the direction of Senior Vice President Ross A. McClintock

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

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