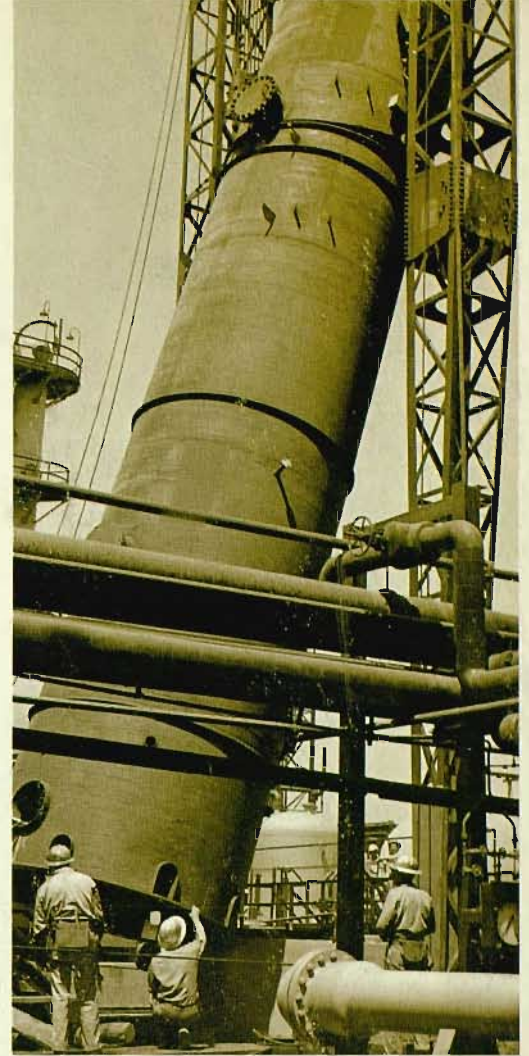


Annual Report 1958



THE FLUOR CORPORATION, LTD.

Aerial view of Fluor's recently expanded facilities at Los Angeles main office.

Directors

J. SIMON FLUOR JAMES P. WISEMAN
DONALD W. DARNELL MELVIN A. ELLSWORTH
J. ROBERT FLUOR FRANCIS E. FISCHER
FRANK G. BREYER, Chairman of the Board, Singmaster & Breyer, Inc. (1955)
ANDREW W. F. MCQUEEN, President, H. G. Acres & Co., Ltd. (1957)
JAN OOSTERMEYER, Chemical Consultant, former President,
Shell Chemical Corporation (1953)
DONALD ROYCE, Partner, William R. Staats & Co. (1951)
FRANKLIN S. WADE, Chairman of the Board, Southern California Gas Co. (1952)

Officers

J. SIMON FLUOR, President (1921)
DONALD W. DARNELL, Chairman of the Board (1925)
J. ROBERT FLUOR, Executive Vice President (1946)
JAMES P. WISEMAN, Vice President, also President, Fluor Products Co. (1942)
MELVIN A. ELLSWORTH, Vice President and General Manager,
Engineering-Construction Division (1940)
FRANCIS E. FISCHER, Secretary-Treasurer (1924)
GEORGE DIETER, Vice President, also Vice President, Fluor Products Co. (1940)
W. P. DOWNEY, Vice President, Construction (1930)
JOHN F. GARDNER, Vice President, Employee-Public Relations and
Advertising (1940)
DR. WILLIAM R. HAINSWORTH, Vice President, Research (1952)
JAMES D. HARRIS, Vice President and General Counsel (1950)
JAMES P. KNEUBUHL, Vice President, Engineering-Construction Sales (1941)
EDWARD J. MCNARY, Controller (1957)
JOHN G. MARSHALL, Vice President, General Engineering (1946)
ERNEST MONCRIEF, Vice President, Mid-Continent Division (1937)
JOHN F. O'GRADY, Vice President, Operations, Fluor Products Co. (1957)
LEE VAN HORN, Vice President, Process Engineering and Development (1948)

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



Annual Report 1958

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THE FLUOR CORPORATION, LTD.

Officers and Directors, D. W. Darnell
(left), Chairman of the Board,
J. R. Fluor, Executive Vice President
and J. S. Fluor, President (right)

Highlights of the Year

	1958	1957
Sales.....	\$120,458,962	\$152,432,935
Net Earnings.....	1,908,782	2,632,672
Per share.....	2.41	3.46
As a per cent of shareholders' average equity.....	11.4%	18.2%
Dividends		
Total.....	912,473	768,118
Cash per share*.....	1.20	1.05
Income taxes.....	2,188,259	2,968,730
Net working capital.....	13,932,021	9,069,304
Shareholders' equity at year-end.....	17,557,533	15,861,243
Per share.....	22.15	20.86
Shares outstanding at year-end....	792,577	760,394
Number of shareholders.....	4,501	4,010
Backlog, October 31.....	141,000,000	150,000,000

*Adjusted for 20% stock dividend in 1957



Report from the President

Once again, it is my pleasure to present the year-end review of your company's activities.

In general, 1958 was a good year, with both sales and earnings continuing at a very satisfactory level. Consolidated net sales totaled \$120,458,962. Net earnings were \$1,908,782, equivalent to \$2.41 a share on the 792,577 shares of capital stock outstanding.

Despite reduced capital expenditures by the petroleum, chemical and power industries, both sales and earnings attained the third highest level in Fluor's history.

Looking ahead to 1959, we do not expect sales and earnings to equal those of the previous 12 months. Although our backlog of uncompleted work at October 31 was at a high level, amounting to approximately \$141-million, more than one third of this amount was represented by the Commerce Oil project.

Fluor was selected to build this new petroleum refinery more than a year ago, but the project has been held up ever since due to litigation over the site.

A ruling unfavorable to Commerce would cause delay or cancellation of the project. Even

if the court's decision is favorable, part of Fluor's fiscal year will have elapsed. Either result would seriously affect 1959 sales and earnings. Moreover, capital spending by the industries we serve is not expected to pick up until the second half of 1959.

Beyond 1959, opportunities for growth among all the principal industries served by Fluor remain excellent. There are indications that these industries will require additional capacity by late 1960 or early 1961. Therefore, expansion programs must begin by the end of this year, if these anticipated demands are to be met.

We extend our appreciation to Fluor shareholders, employees, customers and suppliers, whose support has made Fluor's continued growth possible.

J. S. Fluor

December 15, 1958

Engineering-Construction Division officers (from left): Melvin A. Ellsworth, Vice President and General Manager, also Director; John G. Marshall, Vice President, General Engineering; Lee Van Horn, Vice President, Process Engineering and Development; W. P. Downey, Vice President, Construction, and James P. Kneubuhl, Vice President, Sales.

Fluor Records Another Good Year

Fluor's lower business activity in 1958 reflected the depressed pattern of the economy as a whole. Company sales of \$120,458,962 represent a 21 per cent decline from the \$152,432,935 reported for the previous year. However, 1958 sales were exceeded only by the peak years 1956 and 1957. Net earnings of \$1,908,782 were also the third highest in the company's history.

This achievement during a period of business recession is a measure of Fluor's strength.

The company entered fiscal 1958 financially sound and with a record backlog. However, the immediate outlook for new orders was not favorable. The combined forces of slackened consumer demand and excess industrial capacity were responsible for the general slow-down. Virtually every industry geared for retrenchment. Capital expenditures were drastically reduced as expansion plans were postponed.

During 1958, the petroleum, natural gas and electric power industries reduced capital spending by more than a billion dollars. Chemical companies and other manufacturers trimmed capital goods purchases by about \$3½-billion.

Plant expansion and modernization for these industries is the principal source of business for Fluor and its competitors. As this reservoir of potential business shrank, the already sharply competitive engineering-construction industry suffered further reduced profit margins in order to stay in the race.

Fluor was prepared for a temporary decline in sales and earnings. Early in the year, Presi-

dent Fluor urged employees to look upon the period of lowered activity not as a time of apathy, but rather as an opportunity. A pause in the rapid pace of expansion, he told them, should be spent in polishing knowledge and skills so that the company would be better prepared to serve its customers than ever before.

Every segment of Fluor's operations was reappraised in the light of the critical business situation. Activities were consolidated. Overhead was reduced. At the same time, Research continued to explore possible avenues of future growth.

In accordance with the company's plans to diversify its manufacturing operations, it entered the promising field of glued-laminated timber construction by acquiring Summerbell Roof Structures last June. Business in this new product line has exceeded forecasts.

The company's efforts to develop certain techniques—under license from Chemetals Corporation—for the recovery of copper powder from scrap, and the conversion of this powder to copper strip, have steadily progressed. As a result, Fluor is now prepared to design and construct full-scale commercial plants for this specialized branch of the metallurgical industry.

Among other significant developments of the year, shareholders voted at the Annual Meeting to increase the authorized capital stock of the corporation from one-million to two-million shares.

Last October, the number of shares outstanding increased to 792,577 when an additional



32,183 shares of Fluor stock were issued to the trustee of the Fluor Employees' Benefit Plan. These shares, having a market value of \$699,980, represented part-payment of the company's annual contribution, which totaled \$833,040. The balance was paid in cash. Fluor contributed stock in lieu of cash to conserve working capital.

Near the close of the fiscal year, the company negotiated a long-term loan of \$5-million. The funds were used in part to retire \$1½-million of long-term notes. The remainder will be used for general corporate purposes.

Shareholders' equity edged upward during 1958 to a total of \$17,557,533, compared to \$15,861,243 reported at the close of 1957. Dividends, paid quarterly, totaled \$912,473.

The favorable record of accomplishment for 1958 was made possible through Fluor's successful adaptation to changed economic conditions. Even so, it is unlikely that 1959 sales and earnings will match those for the past year.

Although national business activity started to pick up in mid-1958, capital expenditures still lag. Due to the nature of Fluor's business, there is generally a 12-month interval before

new orders are reflected in billings. Renewed activity in the capital goods market, however, would indicate that 1960 will be another good year for the company.

Industry is already looking ahead to the predicted big boom of the Sixties. Swelling populations and the world-wide pressure for ever-higher living standards will soon strain existing capacity.

Even if consumer demand falls short of anticipated levels, competition and expanding technology will supply the necessary push, economists believe. A company operating a new, efficient plant soon strides ahead of one trying to get along with outmoded facilities. When one major oil company announces expansion plans, the others must follow suit or lose their proportionate share of the market.

National growth patterns indicate that the coming decade will be one of continued expansion for all of the major industries that Fluor serves. As the population approaches the predicted 1965 level of 190-million, the demand for oil products is expected to surpass today's needs by about 35 per cent.

Temporary over-capacity for certain chemicals has been widely publicized. Nevertheless, since 1941 the chemical industry has expanded twice as fast as over-all industry. Within the next six years, petrochemical output alone may reach 85 billion pounds a year—double the rate of current production.

The natural gas industry, now spending \$2-billion a year for construction, is enlarging its operations to provide for an anticipated 45 per cent upsurge in customers by 1970.

Electric utilities have spent more than \$33-billion since the war in the biggest expansion push ever undertaken by any industry. Yet, an additional expenditure of \$40-billion is contemplated between now and 1965.

Since Fluor's continued growth is closely related to the future of petroleum, chemicals, gas and electricity, the company looks ahead with optimism to continued prosperity. In view of the strong upward trend, the somewhat lower sales and earnings anticipated for 1959 are no cause for concern.

Engineering-Construction Division

Operating results of this division were exceptional in the face of extremely competitive conditions and an 11 per cent decline in business volume. The division's profit was nearly equivalent to last year's and accounted for more than 90 per cent of the corporation's 1958 income.

Twenty-eight projects were completed during the year, and total sales were \$82,571,462. More than two-thirds of the jobs completed were for the petroleum industry. Eight of the completions were for new clients.

Largest installation completed in fiscal 1958 was a \$20-million refinery at Purvis, Mississippi, which was designed, engineered and constructed by Fluor's Mid-Continent Division for Pontiac Eastern Corporation.

Among other major projects finished were the 60,000-kilowatt steam-electric generating plant for California Electric Power Company, an 86,000 barrels-per-day crude unit for the Texas Company, and a complex fertilizer plant for Coastal Chemical Company. The latter was the second such installation built by the company.

Fluor's versatility in the chemical field was

Ernest Moncrief, Vice President, Mid-Continent Division, at office in Houston.



Fluor Products Company officers at the Wood Products Division manufacturing plant, Santa Rosa, California (from left): George Dieter, Vice President, Sales; James P. Wiseman, President, also Corporation Director, and John F. O'Grady, Vice President, Operations.

extended through the design, engineering and construction of its first caustic-chlorine plant. The huge 300 tons-per-day installation for Wyandotte Chemicals Corporation is under construction at Geismar, Louisiana.

The division continued to explore the potential in foreign plant expansion, and increased emphasis will be placed on this activity in the future. Under way at Altona, Australia, is a catalytic desulfurizer and refinery revamp for Standard-Vacuum Refining Company.

In addition, Fluor Engineering & Construction Company, Limited—new United Kingdom subsidiary—was awarded its first contract. Texaco Trinidad Incorporated selected this subsidiary to perform the engineering design for a refinery expansion project at Pointe-a-Pierre, Trinidad.

Of particular significance to the company's future was the \$9-million contract awarded Fluor by the U.S. Bureau of Mines to design, engineer and construct a helium recovery plant. This installation, which will be located in the

Keyes natural gas field, Cimarron County, Oklahoma, is the first of 13 plants to be constructed under the government's recently announced helium recovery program. Private industry is expected to build the 12 additional plants at an estimated cost of \$250-million within the next few years. Since Fluor was selected to build the first plant, it is in an excellent position to participate further in this program.

Fluor Products Company

Sales for Fluor Products Company totaled \$12,294,568 during fiscal 1958, despite a 55 per cent nationwide decline in orders for industrial cooling towers over the past two years. Previously this business accounted for the major portion of Products' sales.

Recessive conditions forced market prices down, resulting in lower profit margins on sales. The rate of new orders was sluggish throughout the year.

Anticipating these conditions, the division reduced overhead through consolidation of certain departments. Its program of product diversification was continued, creating a buffer against the current decline in the cooling tower market.

In June, Fluor purchased the name, patents, trademarks and certain other assets of Summerbell Roof Structures, thereby adding an important companion line to its range of products.

Summerbell products, long established in the glued-laminated timber industry, enabled Products to capture a share of the \$100-million national market. Moreover, the new product line is not restricted to industrial use. The acquisition also opens new markets in the vast commercial building field.

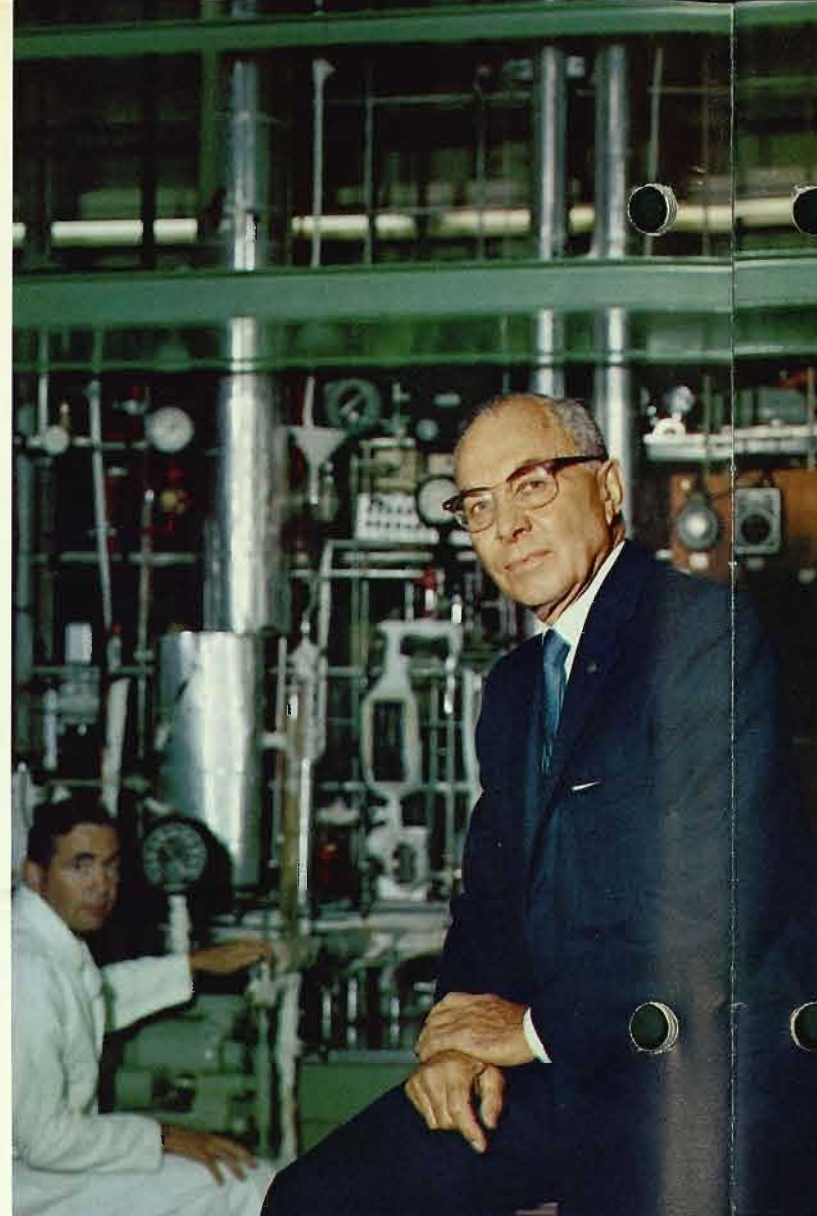
The most efficient, up-to-date manufacturing facility for glued-laminated timber in the United States was completed in September at the Wood Manufacturing Division plant at Santa Rosa, California. This new facility was built at a cost in excess of \$300,000. Business volume in the Summerbell line has more than doubled during the first six months of operation.

In the Metal Manufacturing Division at Paola, Kansas, the cold-forming of both alloy and carbon steel for piping components was perfected and marketed.

The nation's first Fluor-Hartmann pneumatic unloading unit was erected for Ormet Corporation at its new aluminum reduction plant near Hannibal, Ohio. This unit unloads 300 tons an hour of alumina from Ormet's fleet of barges. This was part of the \$2-million in equipment which Fluor Products Company supplied for the project.

As part of a general reorganization, Metal Products' engineering, drafting and purchasing departments were moved to new offices in Mission, Kansas. The Hartmann Division was also relocated at Mission and integrated with Metal Products.

Improved products sales are anticipated for 1959. This forecast is primarily based upon the expected increase in volume of new orders for both Summerbell Roof Structures and cold-extruded products.



Research Division

Extensive investigation into the problem of saline water distillation remained one of the most significant objectives of the Research Division during the past year.

Current study is sponsored by the U.S. Office of Saline Water and the State of California. Under this contract, Fluor scientists are to determine the preliminary design feasibility and economics of a nuclear-powered plant producing 15 to 20-million gallons of fresh water daily.

Research also began experimental studies on an adsorber to separate ruthenium from other nuclear reactor waste products. This work supplements an Engineering-Construction Division contract with the Atomic Energy Commission.

Gas treating activity continued to expand. Research worked on the development of a new Fluor process for treating natural gas containing high concentrations of carbon dioxide. Results look very promising. Moreover, the Fluor process may open tremendous reserves of heretofore unusable gas for the industry.

A substantial part of Fluor research has been devoted to the development of new products and the improvement of existing ones. Because the industrial cooling tower is one of Fluor's principal manufactured products, research in this area received particular attention during the year.

Research is now considering further improvements to cooling tower packing, and is investigating radical design changes which affect the entire tower. Pilot plant studies have begun on the biological oxidation of industrial waste water. In addition, the division installed a separate pilot plant to determine data on various types of materials conveyed by Fluor-Hartmann systems, and experiments were conducted on urea plant design and the improvement of the Wulff Acetylene Process.

Affiliated Companies

The Fluor Corporation of Canada, Ltd. reported sales of \$4,529,654 for fiscal 1958, a 77 per cent decrease from the previous year. Due to a serious decline in the Canadian economy, this company entered the year with virtually no backlog. Projects obtained during the 12 months were on a competitive and reduced fee basis, and of lesser magnitude as well.

Among projects completed during the year were a low pressure coking unit for the Consumers Cooperative Association at its Regina,

Saskatchewan refinery, and one of the first compressor stations for the Trans-Canada Pipe Line Company on what is now the world's longest gas pipeline. Work was started on off-site facilities for the new Irving refinery being constructed at Saint John, New Brunswick.

Fluor Products Company of Canada was formed as a division of the Canadian corporation during the year. This newly-established division completed four of the largest cooling towers in Canada, and introduced air conditioning cooling towers and Hartmann conveying equipment to Canadian customers.

H. G. Acres & Company, Ltd. of Niagara Falls, Ontario, Fluor's Canadian engineering affiliate, reported another record year with sales in excess of \$6½-million. During the year, the organization further expanded its facilities through the addition of a modern hydraulic and geotechnical laboratory. A major accomplishment of this affiliate was the completion of the Strathcona Power Development for the British Columbia Power Commission at Vancouver Island.

Fluor's New York engineering affiliate, Singmaster & Breyer, Inc., also topped last year's sales with a 1958 total of nearly \$11-million.

Outstanding among the year's achievements was the successful startup of one of the world's largest distillation plants for the production of fresh water from the sea. Built for the Island of Aruba in the Netherlands West Indies, the installation has attracted world-wide attention and should lead to further business in this growing field.

Singmaster & Breyer is also working with Argonne National Laboratories on a plutonium-handling research and development facility. This project is providing valuable experience in the extractive and fabricating aspects of atomic metals, and should increase the affiliate's activity in the peaceful utilization of atomic energy.

Francis E. Fischer (left),
Secretary-Treasurer, also Director, and
Edward J. McNary, Controller

Financial Review

Sales

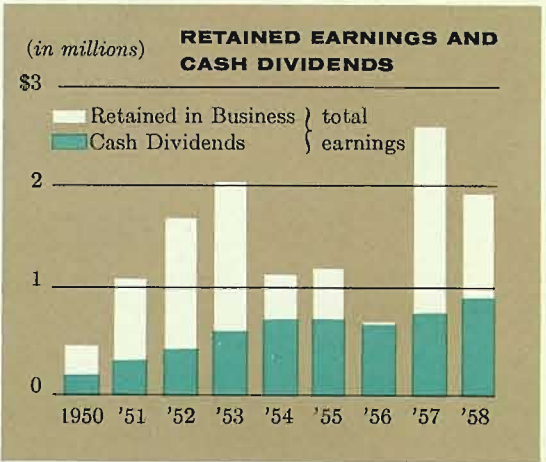
CONSOLIDATED SALES AND NET EARNINGS for the fiscal year ended October 31, 1958, were the third highest in the company's history.

Net sales of \$120,458,962 showed a decline of \$31,973,973 from the record \$152,432,935 reported for 1957. Earnings after income taxes for 1958 were \$1,908,782, equivalent to \$2.41 per share on 792,577 shares outstanding at October 31, 1958. These per share earnings compare with \$3.46 in 1957 based on 760,394 shares then outstanding.

Sales and earnings for 1958 declined 21 per cent and 27 per cent respectively from 1957 levels. Reduced capital expenditures by the industries served account for the major portion of the decline. However, the reduced activity of certain affiliated companies also contributed to the greater per cent decline in earnings.

Engineering and Construction again accounted for the major portion of sales. Work for

the petroleum industry represented 51 per cent of sales while chemical and power sales accounted for 22 per cent and 12 per cent, respectively. Sales of manufactured products for fiscal 1958 declined to \$12,899,270 from the \$16,764,310 reported a year earlier.

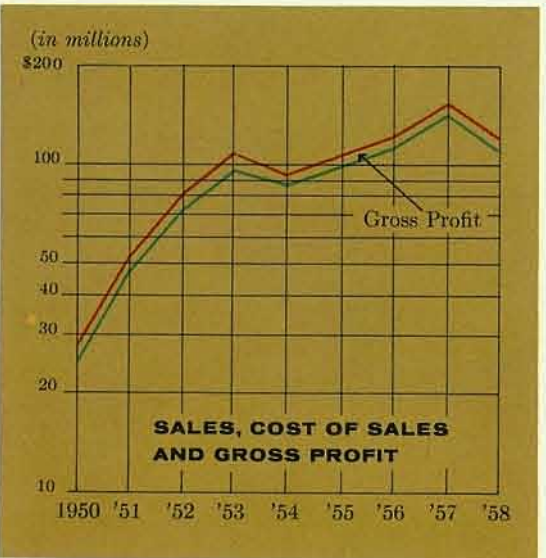


Dividends and Retained Earnings

Cash dividends paid out of 1958 earnings were the highest in the company's history and amounted to \$912,473, equivalent to \$1.20 per share. The aggregate cash payout in 1957 was \$768,118, supplemented by the 20 per cent stock dividend paid in July, 1957.

The Board of Directors authorized continuation of the \$1.20 annual cash dividend rate by declaring, on December 8, 1958, the usual quarterly dividend of \$.30 per share, payable January 23, 1959, to shareholders of record January 7, 1959.

Again in 1958 the company reinvested a large portion of earnings in the business. For the current year this amounted to \$996,309 after cash dividends, compared with \$1,864,554 re-invested in 1957.



Property, Plant and Equipment

Expenditures for acquisitions, additions and improvements during fiscal 1958 amounted to \$1,320,000, compared with \$1,830,000 in 1957. The largest single expenditure was for certain assets of Summerbell Roof Structures, manufacturers of glued-laminated building products. This acquisition introduces an important new product line to the company's Wood Products Division at Santa Rosa, where more than \$300,000 was spent on new facilities.

The next largest acquisition during the year was the purchase of an electronic digital computer, the Datatron 205, by the Research Division.

Shareholders' Equity

Shareholders' equity continued to increase, reaching an all-time high of \$17,557,533 at October 31, 1958. This compares with \$15,861,243 at October 31, 1957. Book value of each share of capital stock was \$22.15, compared with \$20.86 at the close of the prior fiscal year.

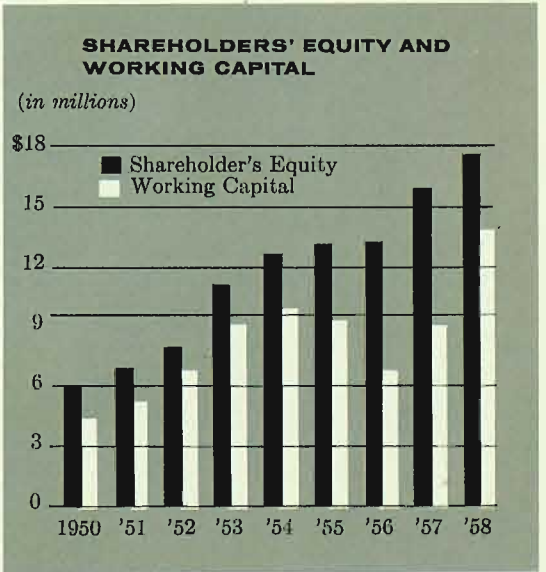
Net earnings of \$1,908,782 in 1958 reflect a return of 11.4 percent on shareholders' average investment during the year. For the 15-year period 1944 through 1958, the company has earned an average of better than 20 per cent on shareholders' investment.

Taxes

Income and payroll taxes continue to represent a significant item of expense. Federal and foreign income taxes for fiscal 1958 were \$2,188,259. Payroll, state, local and other taxes were \$1,134,991. Total taxes of \$3,323,250 are equivalent to \$4.19 per share of capital stock.

The following tabulation compares 1958 and 1957 taxes:

	1958	1957
United States income taxes	\$1,808,091	\$2,273,450
Foreign income taxes	380,168	695,280
Payroll taxes	762,306	1,497,837
State, local and other taxes	372,685	287,729
Total	\$3,323,250	\$4,754,296



Source and Disposition of the Fluor Revenue Dollar

Source	Amount (in thousands)		Per Cent	
	1958	1957	1958	1957
Petroleum installations	\$ 61,205	\$ 63,955	50.7%	41.9%
Chemical plants	26,401	43,936	21.8	28.8
Power plants	14,118	14,687	11.7	9.6
	<u>101,724</u>	<u>122,578</u>	<u>84.2</u>	<u>80.3</u>
Manufactured products	12,295	16,764	10.7	11.0
Miscellaneous	6,748	13,367	5.1	8.7
	<u>\$120,767</u>	<u>\$152,709</u>	<u>100.0%</u>	<u>100.0%</u>
Disposition				
Purchased materials and services	\$ 67,625	\$ 89,755	56.0%	58.8%
Wages, salaries and contributions to employees' benefit trust funds	45,328	53,049	37.5	34.8
Depreciation and maintenance	2,205	2,021	1.8	1.3
Taxes	3,323	4,754	2.8	3.1
Cash dividends	912	768	0.7	0.5
Minority interests and miscellaneous	377	497	0.4	0.3
Reinvested earnings	997	1,865	0.8	1.2
	<u>\$120,767</u>	<u>\$152,709</u>	<u>100.0%</u>	<u>100.0%</u>

Working Capital

The company's financial condition at October 31, 1958, was excellent. Current assets were \$29,491,613, while current liabilities were \$15,559,592, thus increasing working capital to \$13,932,021 from \$9,069,304 at the close

of the preceding fiscal year. Principal items contributing to the increase in working capital are summarized in the following table:

Additions to working capital (in thousands)		Deductions from working capital (in thousands)	
Net earnings	\$1,909	Additions to property, plant and equipment	\$1,354
Provisions for depreciation and amortization	1,299	Cash dividends	912
Contribution of 32,183 shares of capital stock to employees' benefit trust fund	700	Miscellaneous items	11
Net increase in indebtedness	2,882		<u>2,277</u>
Miscellaneous items	350	Increase in working capital	4,863
	<u>\$7,140</u>		<u>\$7,140</u>

The following summary shows the major changes affecting the working capital position:

	Oct. 31, 1958 (in thousands)	Oct. 31, 1957 (in thousands)	Increase/(Decrease) in Net Working Capital (in thousands)
Current Assets:			
Cash	\$ 5,902	\$ 3,408	\$ 2,494
Receivables	18,375	19,412	(1,037)
Inventories	4,754	4,226	528
Prepaid expenses	461	274	187
Total current assets	<u>29,492</u>	<u>27,320</u>	<u>2,172</u>
Current Liabilities	<u>15,560</u>	<u>18,251</u>	<u>2,691</u>
Net working capital	<u>\$13,932</u>	<u>\$ 9,069</u>	<u>\$ 4,863</u>
Ratio of current assets to liabilities	1.9 to 1	1.5 to 1	

THE FLUOR CORPORATION, LTD. and Subsidiaries

Consolidated Statement of Earnings and Retained Earnings

for the years ended October 31, 1958 and 1957

	1958	1957
Revenue		
Engineering and construction revenue—including unbilled charges on incompletd contracts	\$107,559,692	\$135,668,625
Product sales	12,899,270	16,764,310
Royalties, discounts and other	308,029	276,140
	<u>120,766,991</u>	<u>152,709,075</u>
Costs and Expenses		
Cost of engineering and construction revenue	98,732,245	126,020,956
Cost of product sales	10,640,041	13,865,724
Selling, research and administrative expenses	6,895,747	6,651,984
Interest on indebtedness	162,107	158,908
Other expenses	24,586	71,442
	<u>116,454,726</u>	<u>146,769,014</u>
Earnings (before income taxes and minority interests)	4,312,265	5,940,061
Federal and Foreign Income Taxes	2,188,259	2,968,730
	<u>2,124,006</u>	<u>2,971,331</u>
Minority Interests in Net Earnings of Subsidiaries	215,224	338,659
Net Earnings	1,908,782	2,632,672
Retained Earnings—November 1, 1957 and 1956	7,664,387	8,439,833
	<u>9,573,169</u>	<u>11,072,505</u>
Dividends Paid		
In cash, \$1.20 per share	912,473	768,118
In capital stock 20% stock dividend—119,945 shares at \$22 (approximate market value) and \$1,210 in cash payments in lieu of issuing fractional shares	—	2,640,000
	<u>912,473</u>	<u>3,408,118</u>
Retained Earnings—October 31, 1958 and 1957	<u>\$ 8,660,696</u>	<u>\$ 7,664,387</u>
Included above in costs and expenses:		
Depreciation and amortization	\$ 1,298,720	\$ 1,200,445
Contributions to employees' benefit trust funds	965,200	1,227,291

The accompanying notes are an integral part of the financial statements.

The Fluor Corporation, Ltd. and Subsidiaries

Consolidated

Assets	1958	1957
Current Assets		
Cash	\$ 5,901,899	\$ 3,408,086
Notes receivable	584,334	672,246
Accounts receivable	10,234,727	12,008,117
Unbilled charges on incompletd contracts	7,555,590	6,732,079
Inventories—at the lower of cost (determined by the average method) or market		
Raw materials, purchased parts and supplies	3,368,789	3,007,607
Finished goods and work in process	1,384,882	1,218,487
Prepaid insurance, taxes and deposits	461,392	273,770
Total current assets	<u>29,491,613</u>	<u>27,320,392</u>
Property, Plant and Equipment—at Cost		
Land	192,899	199,540
Buildings and land improvements	5,864,251	4,967,387
Machinery and equipment	8,372,924	8,274,054
	14,430,074	13,440,981
Less accumulated depreciation and amortization	6,071,986	5,137,439
	<u>8,358,088</u>	<u>8,303,542</u>
Other Assets		
Notes and accounts receivable	1,815,789	1,801,338
Investments	910,100	916,600
Patents	56,791	53,971
	<u>2,782,680</u>	<u>2,771,909</u>
	<u>\$40,632,381</u>	<u>\$38,395,843</u>

The accompanying notes are an integral part of the financial statements.

Balance Sheets *October 31, 1958 and 1957*

Liabilities	1958	1957
Current Liabilities		
Notes payable	\$ 330,000	\$ 380,000
Accounts payable	8,275,836	9,180,468
Customers' deposits and advance payments	2,912,711	2,758,935
Taxes on income	1,809,352	2,766,331
Accrued liabilities	2,231,693	3,165,354
Total current liabilities	<u>15,559,592</u>	<u>18,251,088</u>
Noncurrent Liabilities		
Notes payable—noncurrent portion	5,060,000	2,178,000
Deferred Income		
Unearned fees on engineering and construction contracts	1,040,445	632,646
Gain on installment sale of property	216,327	251,086
	<u>1,256,772</u>	<u>883,732</u>
Minority Interests in Subsidiaries	1,198,484	1,221,780
Capital		
Contributed capital		
Capital stock—authorized, 2,000,000 shares of \$2.50 par value; issued and outstanding:		
1958—792,577 shares; 1957—760,394 shares	1,981,443	1,900,985
Capital contributed in excess of par value of capital stock	6,915,394	6,295,871
Retained earnings	8,660,696	7,664,387
	<u>17,557,533</u>	<u>15,861,243</u>
	<u>\$40,632,381</u>	<u>\$38,395,843</u>

The accompanying notes are an integral part of the financial statements.

Consolidated Statement of Contributed Capital

for the year ended October 31, 1958

	Capital Stock \$2.50 par value	Capital contributed in excess of value of capital stock
Contributed capital—November 1, 1957.....	\$ 1,900,985	\$ 6,295,871
Issuance of 32,183 shares of capital stock as a contribution to the employees' benefit trust fund at \$21.75 a share	80,458	619,523
CONTRIBUTED CAPITAL—OCTOBER 31, 1958.....	\$ 1,981,443	\$ 6,915,394

The accompanying notes are an integral part of the financial statements.

ALEXANDER GRANT & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
548 SOUTH SPRING STREET
LOS ANGELES 13, CALIFORNIA

CHICAGO
NEW YORK
LOS ANGELES
OTHER
PRINCIPAL
CITIES

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, 1958, and the related consolidated statements of earnings, retained earnings and contributed capital for the year then ended. Our examination, which did not include the accounts of the Canadian and English 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. As to the Canadian and English subsidiaries, The Fluor Corporation of Canada, Ltd., H. G. Acres & Company, Limited, and Fluor Engineering and Construction Co., Limited, we have accepted reports of examination furnished us by independent chartered accountants.

In our opinion, the accompanying consolidated balance sheet and consolidated statements of earnings, retained earnings and contributed capital present fairly the consolidated financial position of The Fluor Corporation, Ltd. and its subsidiaries at October 31, 1958, and the consolidated results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Los Angeles, California
December 24, 1958

Alexander Grant & Company

Notes to Financial Statements

October 31, 1958

Principles of Consolidation

The consolidated financial statements include the accounts of The Fluor Corporation, Ltd. and its subsidiaries. All of the subsidiaries are wholly owned except Singmaster & Breyer, Inc., which is 55% owned by The Fluor Corporation, Ltd., and H. G. Acres & Company, Limited, which is 60% owned by The Fluor Corporation of Canada, Ltd.

All intercompany items and transactions have been eliminated in consolidation.

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

Accounting Treatment of
Engineering and Construction Contracts

The company follows the general principle of recognizing income on engineering and construction contracts on the percentage of completion method in the proportion that aggregate costs incurred bear to total estimated cost 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.

Federal Taxes on Income

Federal income tax returns of the company have been examined for all years to and including the year ended October 31, 1952, and any necessary adjustments have been recorded. The returns for the five years ended October 31, 1957 are being reviewed by an agent of the Treasury Department. The examination has not been completed and the nature and extent of any exceptions are not known.

Net Assets of Foreign Subsidiaries

Assets and liabilities of The Fluor Corporation of Canada, Ltd. and its subsidiary, H. G. Acres & Company, Limited, have been included in the accompanying financial statements in Canadian dollars because of the small difference in the rate of exchange. The net assets included in the balance sheet at October 31, 1958 amounted to approximately \$2,806,000.

Net assets of other foreign subsidiaries at October 31, 1958 amounted to:

Middle-East Fluor, S.A.	\$740,881
Fluor International, S.A.	402,106
Fluor Engineering & Construction Co., Limited	(57,237)
Fluor Venezuela, S.A.	900

Noncurrent Liabilities

In October 1958, the company negotiated 5½% notes in the amount of \$2,000,000 with a bank, and 5½% notes in the amount of \$3,000,000 with two insurance companies. The notes were issued in accordance with a common note agreement. The

proceeds of the notes were used in part to retire 4¾% notes totaling \$1,458,000 and the balance will be used for general corporate purposes.

The notes are payable in semi-annual installments of \$200,000 plus interest commencing May 1, 1959, and extending to May 1, 1971, subject to contingent and optional prepayment provisions. The note agreement requires the company to maintain net current assets of \$7,500,000 and the current assets must not be less than 150% of the current liabilities. The company is prohibited from paying cash dividends in excess of the net earnings of the company (as defined) after October 31, 1957, increased by \$500,000. Under these restrictions, the company is prohibited from paying cash dividends in excess of \$1,337,743 at October 31, 1958.

H. G. Acres & Company, Limited, issued, on November 1, 1955, \$500,000 of 4% first mortgage bonds maturing November 1, 1957 to November 1, 1962. In November 1956, \$300,000 of 5% first mortgage bonds maturing November 1, 1958 to November 1, 1963 were issued.

Renegotiation

Sales subject to renegotiation for the year ended October 31, 1958 are estimated at \$4,000,000. Reports of renegotiable sales for all years through October 31, 1957, have been reviewed by government agencies, clearances issued and no refunds requested. It is the opinion of management that no current provision for renegotiation is required.

Restricted Stock Option Plan

A restricted stock option plan, approved by the shareholders on March 12, 1956, reserved 30,000 shares of capital stock for issuance to key management employees. Because of the stock dividend declared in 1957, options originally granted in 1956 were increased by 20% with a corresponding decrease in option price. On March 10, 1958, the shareholders authorized an increase in the number of shares available for option from 36,000 shares to 50,000 shares. Options to purchase 31,200 shares at \$16.67 and 4,800 shares at \$19.38 are currently exercisable. Options to purchase 4,900 shares at \$21.00 are not exercisable until September 1960. Options to purchase 9,100 shares have not been granted.

Commitments

The Fluor Corporation of Canada, Ltd. is committed to purchase, upon the request of the owners thereof, all or any part of the outstanding shares of H. G. Acres & Company, Limited, not presently held by the company. As of October 31, 1958, the purchase of all outstanding shares not presently held by the company would involve a payment of approximately \$410,000.

Under a similar arrangement, The Fluor Corporation, Ltd., is committed to purchase the shares of Singmaster & Breyer, Inc., not presently held by the company. As of October 31, 1958, the purchase of all such outstanding shares would involve a payment of approximately \$725,000.



THE FLUOR CORPORATION, LTD. and Subsidiaries

Fifteen-Year Financial Summary

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

Operating Results

	Revenues	Wages and Salaries	Purchased Materials and Services	Depreciation and Amortization	Maintenance and Repairs
1958	\$120,767	\$44,363	\$68,387	\$1,299	\$906
1957	152,709	51,822	91,252	1,200	821
1956	121,268	39,079	77,945	946	501
1955	106,479	36,136	65,388	911	532
1954	93,672	34,905	53,839	945	616
1953	105,901	37,528	62,076	717	437
1952	80,906	29,516	45,970	422	353
1951	52,269	17,978	30,621	311	334
1950	26,577	10,660	14,165	229	326
1949	33,565	11,701	19,034	224	305
1948	33,197	11,086	17,790	182	290
1947	22,402	6,678	13,232	138	217
1946	12,375	5,598	6,066	302	175
1945	14,466	6,865	6,786	455	144
1944	15,608	8,403	6,328	164	141

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	
\$ 965	\$162	\$373	\$4,312	\$2,188	\$215	\$1,909	\$2.41	\$912	\$ 997	1958
1,227	159	288	5,940	2,969	338	2,633	3.46	768	1,865	1957
298	181	300	2,018	1,022	259	737	1.03	720	17	1956
500	146	236	2,630	1,258	138	1,234	1.72	720	514	1955
541	138	243	2,445	1,203	64	1,178	1.63	720	458	1954
691	129	272	4,051	1,949	42	2,060	3.43	600	1,460	1953
814	108	216	3,507	1,766	—	1,741	3.63	420	1,321	1952
570	78	114	2,263	1,127	—	1,136	2.37	320	816	1951
264	1	158	774	295	—	479	1.00	198	281	1950
435	14	114	1,738	661	—	1,077	2.33	199	878	1949
752	17	74	3,006	1,143	—	1,863	4.83	192	1,671	1948
416	22	36	1,663	633	—	1,030	2.67	129	901	1947
37	23	26	148	50	—	98	.25	32	66	1946
22	24	24	86	41	—	45	.12	87	(42)	1945
290	17	49	216	48	—	168	.45	—	168	1944

Financial Position

	Current Assets	Current Liabilities	Working Capital	Property, Plant and Equipment		Other Assets	Total Capitalization
				Gross	Net		
1958	\$29,492	\$15,560	\$13,932	\$14,430	\$8,358	\$2,783	\$25,073
1957	27,320	18,251	9,069	13,441	8,303	2,772	20,144
1956	24,597	17,666	6,931	12,053	7,670	1,968	16,569
1955	19,261	10,338	8,923	9,366	5,821	1,076	15,820
1954	22,464	12,328	10,136	8,331	5,386	183	15,705
1953	22,011	12,669	9,342	7,071	4,683	99	14,124
1952	17,568	10,840	6,728	5,034	3,280	79	10,087
1951	15,049	9,638	5,411	4,381	2,902	67	8,380
1950	7,935	4,011	3,924	3,246	2,034	64	6,022
1949	7,955	4,033	3,922	2,767	1,705	129	5,756
1948	8,571	5,585	2,986	2,427	1,534	175	4,695
1947	5,450	3,226	2,224	1,981	1,230	145	3,599
1946	2,849	1,863	986	1,692	1,023	115	2,124
1945	3,162	2,126	1,036	1,468	881	108	2,025
1944	2,056	1,249	807	1,290	728	261	1,796

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

Equity, Dividends and Shareholders

Shareholders' Equity			Dividends		Number of Shareholders	
Aggregate	Per Share*	% Net Earnings to average equity	Per Share*	% of Net Earnings		
\$17,558	\$22.15	11.4%	\$1.20	47.8%	4,501	1958
15,861	20.86	18.2	1.05	29.2	4,010	1957
13,098	18.19	5.6	1.00	97.7	3,709	1956
13,081	18.17	9.6	1.00	58.3	3,389	1955
12,567	17.46	10.0	1.00	61.1	3,376	1954
11,089	18.03	21.4	1.00	29.1	2,235	1953
8,176	17.03	23.2	.88	24.1	1,227	1952
6,838	14.27	17.7	.67	28.2	1,115	1951
6,022	12.54	8.3	.42	41.3	867	1950
5,474	11.84	22.2	.50	19.9	355	1949
4,240	10.99	54.6	.50	10.3	304	1948
2,586	6.70	47.8	.33	12.5	294	1947
1,721	4.46	5.7	.08	32.7	159	1946
1,730	4.49	2.7	.23	193.0	150	1945
1,545	4.12	12.2	—	—	145	1944

John F. Gardner (left), Vice President,
Employee-Public Relations & Advertising,
and James D. Harris, Vice President
and General Counsel.



Staff Services

Staff services perform an important role in supporting Fluor's continued business success.

Fluor's 1958 advertising campaign featured ads which were literally images of Fluor—photo montages of Fluor personnel at work, with glimpses of completed plants.

The 1959 campaign goes a step further, while retaining the photo-montage technique. Each ad will be a two-page spread in two colors, and each will discuss an area in which Fluor has outstanding competence. The campaign will run in *Fortune* and in various trade journals.

In the field of employee relations, a new group health care plan for employees and their dependents became effective January 1, 1958. It provides considerably broader benefits than the former plan.

The company's 1958 contribution to the Fluor Employees' Benefit Plan trustee amounted to \$833,040. This brought the net worth of the fund to \$8,017,963. The 17-year-old plan provides employees with retirement income derived from annual contributions based on parent company profits before taxes.

Public relations programs and policies are designed to create a favorable climate of public opinion toward Fluor. This long-range objective is achieved through a diverse communications program directed toward a number of groups, including employees, shareholders, customers, government representatives and the financial community.

Publications include an award-winning quarterly magazine, *Fluor-O-Scope*; a monthly employee newspaper, *Fluoroundup*; the *Annual Report*; the *Post-Annual Meeting Report* and interim financial reports.

The Law Department is responsible for all legal affairs of the company and its subsidiaries. The department renders advice pertaining to contracts, legislative developments, labor law, taxes, litigation, real estate law and other legal matters. The legal staff also advises management with respect to corporate law, including questions concerning the issuance of securities, Securities Exchange Commission matters, and relations with the stock exchanges.

Affiliates

The Fluor Corporation of Canada, Ltd., Toronto, Ontario
H. G. Acres & Company, Limited, Niagara Falls, Ontario
Singmaster & Breyer, Inc., New York City
Fluor Maintenance, Inc., Los Angeles
Fluor Engineering & Construction Co., Limited, London
Fluor International, S. A., Panama, R. P.

Annual Meeting

The Annual Meeting of The Fluor Corporation, Ltd. will be held at 10 a.m. (PST) Monday, March 9, 1959 at the main office.

Auditors

Alexander Grant & Company, Los Angeles

Stock Registrars

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

Stock Transfer Agents

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

Main Office

2500 South Atlantic Boulevard, Los Angeles 22, California



Outside Directors shown at entrance to Los Angeles office (from left): Jan Oostermeyer, Franklin S. Wade, Frank G. Breyer, Donald Royce, Andrew W. F. McQueen.

THE FLUOR CORPORATION, LTD., 2500 S. ATLANTIC BOULEVARD, LOS ANGELES 22, CALIFORNIA