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1963
ANNUAL REPORT



Large standard crank balanced pumping unit, C-456D-253-144 driven by Lufkin H795 Engine, located in Sprayberry Field, West Texas.

LUFKIN FOUNDRY & MACHINE COMPANY
LUFKIN, TEXAS

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LUFKIN FOUNDRY AND MACHINE COMPANY AND SUBSIDIARIES

Lufkin Foundry and Machine Company International, Maracaibo, Venezuela
Lufkin Machine Company, Ltd., Edmonton, Alberta, Canada
Lufkin Overseas Corporation, S.A., Caracas, Venezuela

DIRECTORS

*A. E. CUDLIPP
*S. W. HENDERSON, JR.
*J. H. KURTH, JR.
M. E. KURTH
*L. A. LITTLE
*E. P. TROUT
*W. W. TROUT
*J. L. WIENER

SAMSON WIENER

*Executive Committee

OFFICERS

W. W. TROUT	President
J. H. KURTH, JR.	Vice–President
A. E. CUDLIPP	Vice–President
L. A. LITTLE	Vice–President
E. P. TROUT	Vice–President
W. A. KIRKLAND	Secretary
H. L. DYER	Treasurer

SALES OFFICES

Machinery Division

Anaco, Venezuela
Bakersfield, California
Buenos Aires, Argentina
Calcutta, India
Casper, Wyoming
Crystal Lake, Illinois
Cleveland, Ohio
Corpus Christi, Texas
Dallas, Texas
Denver, Colorado
Edmonton, Alta., Canada
Estevan, Sask., Canada
Farmington, N. M.
Great Bend, Kansas
Hobbs, New Mexico
Houston, Texas
Kilgore, Texas
Lafayette, Louisiana
La Paz, Bolivia
Los Angeles, Calif.
Maracaibo, Venezuela
Mexico City, Mexico
Midland, Texas
Natchez, Mississippi
New York, New York
Odessa, Texas
Oklahoma City, Okla.
Pampa, Texas
Pittsburgh, Penn.
Rio De Janeiro, Brazil
Rome, Italy
Shreveport, Louisiana
Sidney, Montana
Talara, Peru
Tripoli, Libya
Tulsa, Oklahoma
Wichita Falls, Texas

Trailer Division

Dallas, Texas
Houston, Texas
San Antonio, Texas
Lubbock, Texas
Shreveport, La.
Oklahoma City, Okla.
Birmingham, Alabama
Memphis, Tennessee
Jackson, Mississippi

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STATEMENT TO THE STOCKHOLDERS

In 1963 your Company passed the thirty million dollar mark in volume for the first time. Most departments showed good gains, and our commercial and marine gear departments have started off the new year with the largest backlog of orders in our history.

Last year the volume of our Trailer Division was off, largely because only a relatively few of the larger trucking firms in the southwest were in the market for any quantity of trailers. We are glad to report however that the first six weeks of this year brought in more orders than we have ever received in a similar period, and we now have our biggest backlog of trailer business in our history.

Net earnings of $15.23 per share were an improvement over 1962. A dividend of $6.00 per share was paid compared to $5.50 the previous year. Our book value increased to $147.95 compared to $138.72 the previous year. Our current ratio was 5.85 compared to 4.98.

Your Company is continuing to enlarge and improve its facilities. Substantial equipment has been added to our Foundry which will enable us to reduce our costs substantially on large castings. Several new tools have been purchased during the year for our Machine Shop. We are now erecting a new heat treating building which will enable us to centralize under one supervision equipment that is now in two separate locations. In addition, last year, we purchased some new and larger ovens for this department which will eliminate considerable subcontracting and also give us better control.

Our labor relations are excellent, and we have, since the first of the year, negotiated a two-year contract which we believe is equitable to our employees as well as our stockholders.

As in the past year or so, we are still plagued with soft prices on oilfield equipment as well as trailers. Our engineering departments have effected economies in design, and our plant personnel has made substantial reductions in production costs. This, coupled with an extra effort from our sales departments, has enabled us to do as well as we have under adverse conditions.

General business conditions seem to be improving, and we are looking forward to another good year in 1964.

Walter W. Trout
President

February 20, 1964

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LUFKIN FOUNDRY AND MACHINE

CONSOLIDATED BALANCE SHEET

ASSETS	1963	1962
CURRENT ASSETS:		
Cash	$ 1,645,195	$ 1,676,355
Certificate of deposit	250,000	–
Accounts receivable, less reserve of $75,000 in 1963 and 1962	2,064,605	2,443,377
Current installments on notes and conditional sales contracts receivable	1,228,413	1,092,427
Inventories, at lower of average cost or market	10,129,942	9,488,229
Total current assets	$15,318,155	$14,700,388
INSTALLMENT NOTES AND CONDITIONAL SALES CONTRACTS RECEIVABLE, net of unearned interest of $121,996 in 1963 and $132,050 in 1962 and reserve for losses of $125,000 in 1963 and 1962	$ 2,755,775	$ 2,410,062
Less – Current installments shown above	1,228,413	1,092,427
	$ 1,527,362	$ 1,317,635
PROPERTY, PLANT, AND EQUIPMENT, at cost	$ 9,932,494	$ 9,488,368
Less – Reserve for depreciation	5,482,568	4,948,458
	$ 4,449,926	$ 4,539,910
OTHER ASSETS AND DEFERRED CHARGES	$ 186,727	$ 82,285
	$21,482,170	$20,640,218

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COMPANY AND SUBSIDIARIES

--DECEMBER 31, 1963 AND 1962

LIABILITIES	1963	1962
CURRENT LIABILITIES:		
4% notes payable	$ –	$ 330,000
Accounts payable and accrued liabilities	1,316,960	1,430,637
Reserve for income taxes	1,300,982	1,192,648
Total current liabilities	$ 2,617,942	$ 2,953,285
CONTINGENT LIABILITY, notes and conditional sales contracts sold with recourse, $400,000 in 1963 and $350,000 in 1962		
CAPITAL STOCK AND EARNED SURPLUS:		
Common stock, par value $100 per share; 127,500 shares authorized and outstanding	$12,750,000	$12,750,000
Earned surplus	6,114,228	4,936,933
	$18,864,228	$17,686,933
	$21,482,170	$20,640,218

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LUFKIN FOUNDRY AND MACHINE COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME AND EARNED SURPLUS

FOR THE YEARS ENDED DECEMBER 31, 1963 AND 1962

	1963	1962
NET SALES	$30,086,816	$29,403,732
COST OF GOODS SOLD	21,864,226	21,501,344
Gross income	$ 8,222,590	$ 7,902,388
SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES	4,545,621	4,122,270
Operating income	$ 3,676,969	$ 3,780,118
OTHER INCOME (DEDUCTIONS):		
Interest income	251,699	151,395
Interest expense	(7,175)	(28,159)
Provision for losses from uncollectible accounts	(56,162)	(66,051)
Other income	116,964	130,360
Net income before taxes on income	$ 3,982,295	$ 3,967,663
PROVISION FOR TAXES ON INCOME	2,040,000	2,030,000
Net income	$ 1,942,295	$ 1,937,663
EARNED SURPLUS, beginning of year	4,936,933	3,700,520
	$ 6,879,228	$ 5,638,183
LESS – Cash dividends	(765,000)	(701,250)
EARNED SURPLUS, end of year	$ 6,114,228	$ 4,936,933

(Depreciation included above amounted to $643,143 in 1963 and $610,309 in 1962.)

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ARTHUR ANDERSEN & CO.

1700 BANK OF THE SOUTHWEST BUILDING
HOUSTON 2

February 5, 1964

To the Board of Directors,

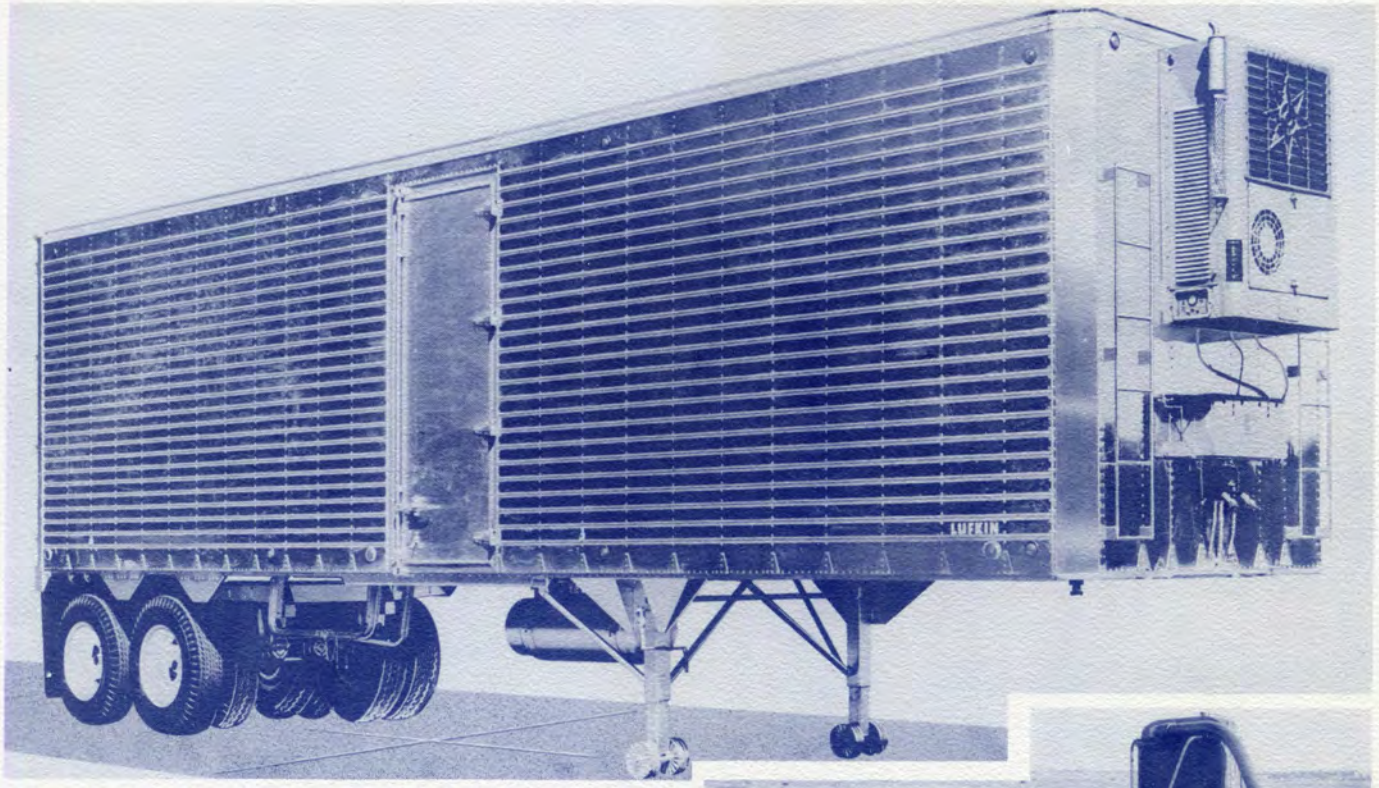
Lufkin Foundry and Machine Company:

We have examined the consolidated balance sheet of Lufkin Foundry and Machine Company (a Texas corporation) and subsidiaries as of December 31, 1963, and the related consolidated statement of income and earned surplus 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.

In our opinion, the accompanying financial statements present fairly the financial position of Lufkin Foundry and Machine Company and subsidiaries as of December 31, 1963, and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

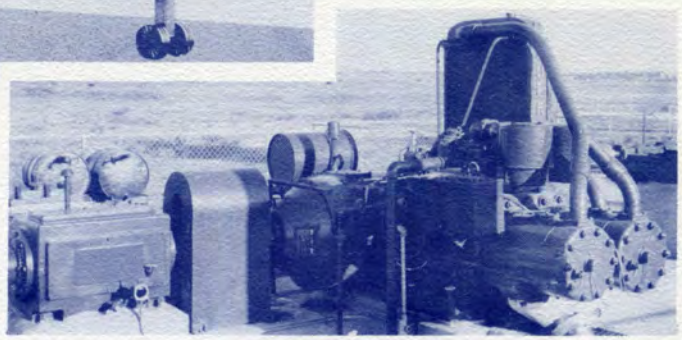
Arthur Andersen & Co.

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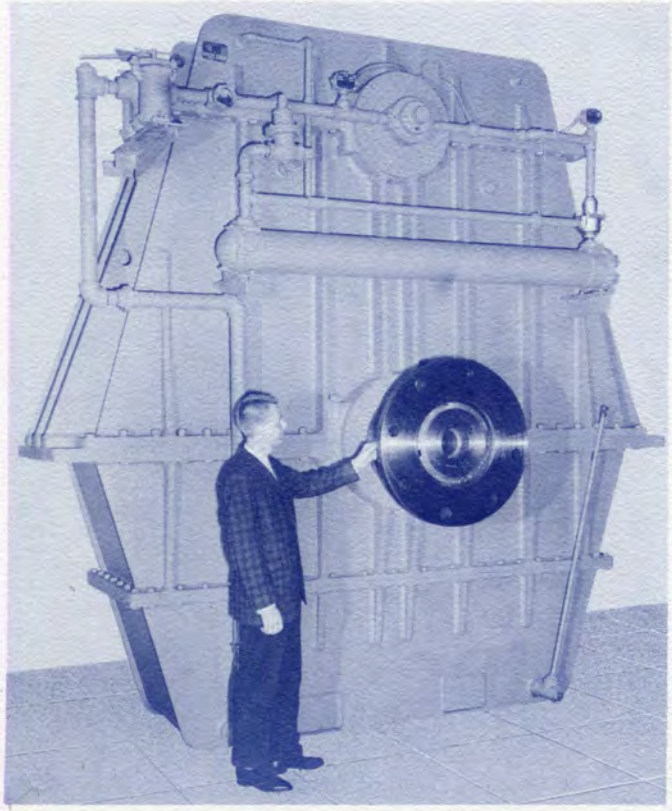


Forty foot Lufkin all-aluminum, 4 inch foamed-in-place insulation, refrigerated van. For transporting frozen commodities at sub-zero temperatures.

CENTER SPREAD: Lufkin's largest gear reducer, DC6024, 2,000 horsepower, driven by two motors and driving a dredge cutter head; weighs 89,000 lbs.



H2165A Engine, Lufkin's largest, driving triplex pump for water-flood near Sherman; one of five installed at this plant.



V6624 propulsion gear for ore carrier on Great Lakes; 4,400 horsepower.



Mark II pumping unit with special counter-clockwise-rotation Lufkin H795CCW Engine.