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1964
ANNUAL REPORT



Lufkin All-Aluminum Light Weight, Dry Freight, Common Carrier Van, Forty Feet Long; One of Ninety-three.

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

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

*Executive Committee

OFFICERS

W. W. TROUT	President
J. H. KURTH, JR.	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
Benghazi, Libya
Bogota, Colombia
Buenos Aires, Argentina
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
Kuwait, Kuwait
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
Trinidad, West Indies
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

Sales of $37,561,753 during the past year established an all-time record for the company. Sales for 1964 exceeded 1963 by 24-8/10%.

Net earnings for 1964 were $2,404,723 compared to previous year's earnings of $1,942,295. This was equivalent to $18.86 per share as against $15.23 the previous year. Our book value increased to $159.82 per share compared to $147.95. A dividend of $7.00 per share was paid in 1964 compared to $6.00 in 1963.

The financial condition of the company continued strong with working capital increasing $1,196,710 to $13,896,923 compared to $12,700,213 the previous year. Our current ratio dropped slightly to 4.69 compared to 5.85 the previous year. You will note that your company has no bank indebtedness either long or short term.

Due to the substantial increase in volume, we have increased the size of several buildings for different departments and have added a number of modern machine tools during the past year. We have on order several large machine tools, some of which will cut production costs, and others which will enable us to increase the scope of our business. You will be interested to know that we have on order a gear hobbing machine that will cut a gear 16' in diameter with a 47" face width. The largest gear we can cut today is 10' in diameter with a 24" face. We expect our Gear Division to continue the rapid growth of the past few years.

Our Trailer Division is expanding, and new branches are being opened as we develop manpower for them. We shortly will open a new branch in Atlanta, Georgia which we expect will aid us in getting a good foothold in the very large east coast trailer market.

Our labor relations are good, and we have been fortunate in the type of young men we have been able to employ during the past year. We now have over 1,800 people on our payroll.

Soft prices still prevail on several of our major products. We are redoubling our efforts to increase our efficiency in order to stay competitive under these adverse conditions.

Incoming orders and a large backlog indicate another good year in 1965.

Walter W. Trout
President

February 22, 1965

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LUFKIN FOUNDRY AND MACHINE CO

CONSOLIDATED BALANCE SHEET --

ASSETS	1964	1963
CURRENT ASSETS:		
Cash	$ 1,848,848	$ 1,645,195
Temporary investments (treasury bills and certificate of deposit)	500,000	250,000
Accounts receivable, less reserve of $75,000 in 1964 and 1963	3,683,953	2,064,605
Current installments on notes and conditional sales contracts receivable	1,049,911	1,228,413
Inventories, at lower of average cost or market	10,581,862	10,129,942
Total current assets	$17,664,574	$15,318,155
INSTALLMENT NOTES AND CONDITIONAL SALES CONTRACTS RECEIVABLE, net of unearned interest of $188,986 in 1964 and $121,996 in 1963 and reserve for losses of $125,000 in 1964 and 1963	$ 2,600,147	$ 2,755,775
Less - Current installments shown above	1,049,911	1,228,413
	$ 1,550,236	$ 1,527,362
PROPERTY, PLANT, AND EQUIPMENT, at cost	$10,701,402	$ 9,932,494
Less - Reserve for depreciation	5,960,612	5,482,568
	$ 4,740,790	$ 4,449,926
OTHER ASSETS AND DEFERRED CHARGES	$ 188,502	$ 186,727
	$24,144,102	$21,482,170

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IPANY AND SUBSIDIARIES

DECEMBER 31, 1964 AND 1963

LIABILITIES	1964	1963
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	$ 2,005,596	$ 1,316,960
Reserve for income taxes	1,762,055	1,300,982
Total current liabilities	$ 3,767,651	$ 2,617,942
CONTINGENT LIABILITY, notes and conditional sales contracts sold with recourse, $925,000 in 1964 and $400,000 in 1963		
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	7,626,451	6,114,228
	$20,376,451	$18,864,228
	$24,144,102	$21,482,170

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LUFKIN FOUNDRY AND MACHINE COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME AND EARNED SURPLUS

FOR THE YEARS ENDED DECEMBER 31, 1964 AND 1963

	1964	1963
NET SALES	$37,561,753	$30,086,816
COST OF GOODS SOLD	28,371,307	22,098,802
Gross income	$ 9,190,446	$ 7,988,014
SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES	4,546,137	4,311,045
Operating income	$ 4,644,309	$ 3,676,969
OTHER INCOME (DEDUCTIONS):		
Interest income	213,437	251,699
Interest expense	(37,394)	(7,175)
Provision for losses from uncollectible accounts	(72,083)	(56,162)
Other income	131,454	116,964
Net income before taxes on income	$ 4,879,723	$ 3,982,295
PROVISION FOR TAXES ON INCOME	2,475,000	2,040,000
Net income	$ 2,404,723	$ 1,942,295
EARNED SURPLUS, beginning of year	6,114,228	4,936,933
	$ 8,518,951	$ 6,879,228
LESS – Cash dividends	892,500	765,000
EARNED SURPLUS, end of year	$ 7,626,451	$ 6,114,228

(Depreciation included above amounted to $623,133 in 1964 and $643,143 in 1963.)

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LUFKIN FOUNDRY AND MACHINE COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF SOURCE AND DISPOSITION OF WORKING CAPITAL FOR THE YEARS ENDED DECEMBER 31, 1964 AND 1963

	1964	1963
FUNDS PROVIDED BY:		
Operations -		
Net income	$ 2,404,723	$ 1,942,295
Depreciation, not requiring withdrawal of funds	623,133	643,143
	$ 3,027,856	$ 2,585,438
DISPOSITION:		
Property, plant, and equipment--net additions (net of investment tax credit of $26,724 in 1964 and $19,500 in 1963)	$ 913,997	$ 553,159
Increase in long-term notes and conditional sales contracts receivable and other assets	24,649	314,169
Dividends	892,500	765,000
	$ 1,831,146	$ 1,632,328
INCREASE IN WORKING CAPITAL	$ 1,196,710	$ 953,110
WORKING CAPITAL, beginning of year	12,700,213	11,747,103
WORKING CAPITAL, end of year	$13,896,923	$12,700,213

OPINION OF INDEPENDENT ACCOUNTANTS

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, 1964, and the related consolidated statements of income and earned surplus and source and disposition of working capital 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, 1964, and the results of their operations and the source and disposition of working capital for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

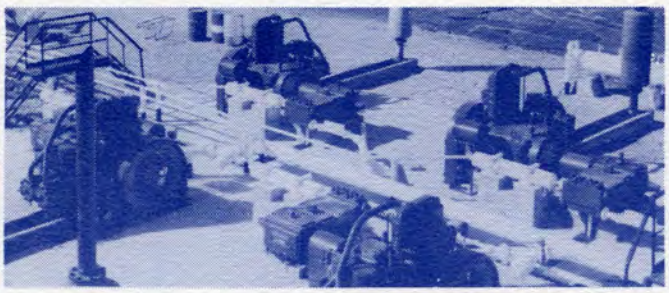
ARTHUR ANDERSEN & CO.

February 1, 1965
Houston, Texas

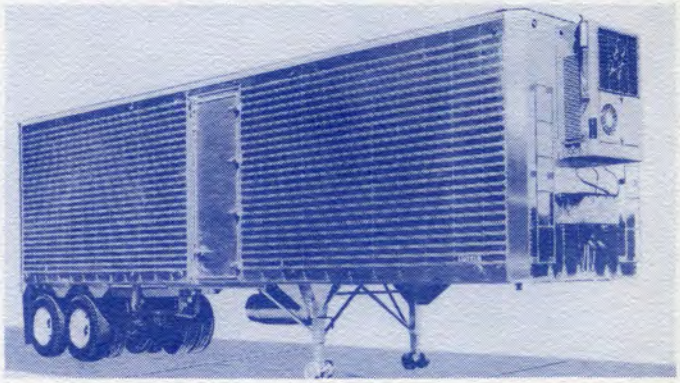
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Dual pumping from one well: two pumping units, two rod strings, two oil formations.



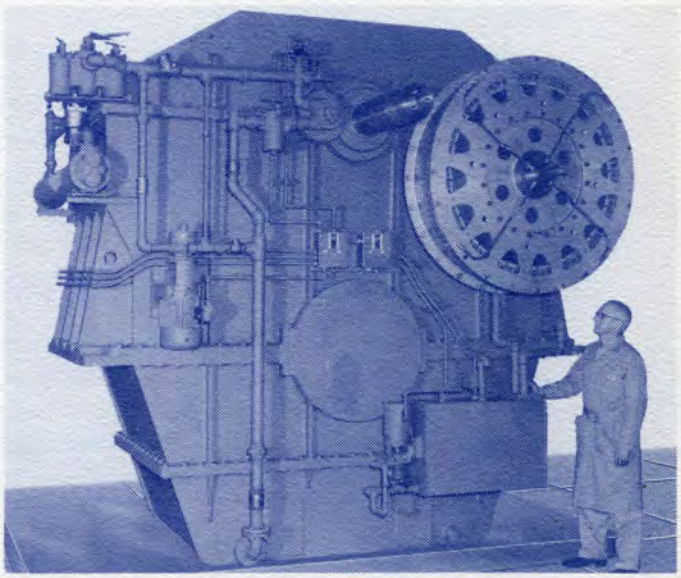
H2165A engines driving triplex pumps for water-flood.



All-aluminum, refrigerated van, forty feet long, with foamed-in-place insulation.



World's largest pumping unit, Air Balance 20 foot stroke, 1,824,000 in. lbs. peak torque; weighs 71,332 lbs.; one of several in California.



RS6024 Reverse-Reduction Gear, 4,000 HP at 515 RPM input, for ore carrier on Great Lakes; 75,000 lbs.