Copied from an original at The History Center, Diboll, Texas. www.TheHistoryCenterOnline.com 2013:023

Annual Report | 1970

LUFKIN

Lufkin Industries, Inc.

Lufkin, Texas

Copied from an original at The History Center, Diboll, Texas. www.TheHistoryCenterOnline.com 2013:023

Lufkin Industries, Inc.

Lufkin, Texas

Copied from an original at The History Center, Diboll, Texas. www.TheHistoryCenterOnline.com 2013:023

DIRECTORS

*S. W. HENDERSON, JR.
Investments, Lufkin

J. G. KURTH
Secretary-Treasurer,
Walker-Kurth Lumber Company, Houston

M. E. KURTH, JR.
Executive Vice-President for Operations
Southland Paper Mills, Inc., Lufkin

*L. A. LITTLE
Investments; formerly Executive Vice-President

W. T. LITTLE
Gear Sales Engineer

*R. L. POLAND
President and Chief Executive

*E. P. TROUT
Investments; formerly Executive Vice-President

*W. W. TROUT
Chairman of the Board

W. W. TROUT, JR.
Assistant Sales Manager

*J. L. WIENER
Partner, Wiener, Weiss & Wiener, Shreveport

J. L. WIENER, JR.
Partner, Wiener, Weiss & Wiener, Shreveport

SAMSON WIENER
President, Wiener Lumber Company, Dallas

OFFICERS

W. W. TROUT	Chairman of the Board
R. L. POLAND	President and Chief Executive
C. W. ALEXANDER	Vice-President
R. E. BARR	Vice-President
J. B. HOPPER	Vice-President
R. H. LANG	Vice-President
C. D. RICHARDS	Vice-President
C. J. SCHULLER	Vice-President
W. A. KIRKLAND	Secretary
H. L. DYER	Treasurer

*Executive Committee

Copied from an original at The History Center, Diboll, Texas. www.TheHistoryCenterOnline.com 2013:023

TO OUR STOCKHOLDERS:

For Lufkin Industries, Inc., 1970 was a year of continuing progress during which our new and more descriptive name was chosen reflecting the broad scope of current diversified operations, and replacing the old and respected Lufkin Foundry and Machine Company name, used since the founding of the company at the turn of the century.

A new record consolidated sales volume was achieved of $53,756,185, an increase of $4,926,349 over the total for the previous year of $48,829,836. These improved results came largely through increases in sales of our three subsidiary companies operating in foreign markets, and an increase in sales of the Mill Supplies Division.

Net earnings for the year were $2,358,069 compared to $2,149,067 for the previous year. Earnings were equivalent to $13.55 per share, against $12.35 per share for the previous year, and dividends of $5.25 per share were paid, which were the same as for the previous year. Book value - stockholders' equity - increased from $154.23 to $162.53 per share. At year end, the ratio of current assets to current liabilities was 7.54 to 1 for 1970, compared with 7.16 to 1 for 1969. Retained earnings increased $1,444,186 to $10,800,332, and working capital - the amount by which current assets exceed current liabilities - increased by $1,130,631 and now stands at $24,224,269.

Profits were improved over the previous year in spite of intense price competition and increases in costs of employment, materials, services, and supplies. To off-set a portion of these additional costs, our own sales prices again have been increased on a selective basis for most products, and a strict cost improvement program has been put into effect attempting to reduce all costs which are controllable in any degree.

During the year 1970, capital investments of approximately $1,250,000 were made, including a new boring mill and balancing machine for the Machine Shop, heavy crane equipment and an electric furnace for the Foundry, and a new storage building for the Mill Supplies Division. On order at this time are new "no-bake" molding equipment for the Foundry and a new hobbing machine for the Machine Shop, and additional capital expenditures for other needed tools will continue during the year 1971.

Extensive corrective measures were taken with regard to air pollution control problems in our Foundry during the year, requiring substantial capital costs, and further heavy outlays in this area must be made in 1971 to comply with regulations imposed by the State Air Pollution Control Board. Expenditures of this type return little or no dollar profits, but they should earn much goodwill from employees working in our plants and from citizens living in the surrounding areas.

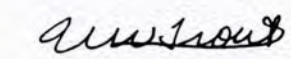
Although there was a general slump in trailer sales during the past year, these should improve in 1971. The move to our new trailer plant was completed in July and production has been gradually increasing since that time. With the gain of experience in operating the new plant, solutions to some of our start-up problems are being worked out.

The company has paid cash dividends for 31 consecutive years since 1939, and in 51 years of its nearly 70-year history. Every effort will be made to continue these dividends through heavy emphasis on productivity, quality and cost controls, and sales and management development.

The future of our company looks good. Through continued aggressive marketing, we should strengthen our position in most domestic sales, but anticipating further expansion into world-wide markets, we predict that our greatest growth in the next few years will be in exports.



R. L. Poland
President



W. W. Trout
Chairman of the Board

February 10, 1971

Copied from an original at The History Center, Diboll, Texas. www.TheHistoryCenterOnline.com 2013:023

LUFKIN INDUSTRIES, INC. AND SUBSIDARIES

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEARS ENDED DECEMBER 31, 1970 AND 1969

	1970	1969
NET SALES	$53,756,185	$48,829,836
COST OF SALES	41,723,809	38,480,523
Gross income	$12,032,376	$10,349,313
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	7,014,859	6,274,625
Operating income	$ 5,017,517	$ 4,074,688
OTHER INCOME (DEDUCTIONS):		
Interest income	235,114	187,742
Interest expense	(585,989)	(309,609)
Other income and expense	(85,573)	146,246
Net income before taxes on income	$ 4,581,069	$ 4,099,067
PROVISION FOR TAXES ON INCOME:		
Current (net of investment tax credit of $200,000 in 1969)	$ 2,020,000	$ 1,702,000
Deferred (Note 2)	203,000	248,000
	$ 2,223,000	$ 1,950,000
NET INCOME ($13.55 per share in 1970 and $12.35 in 1969)	$ 2,358,069	$ 2,149,067
RETAINED EARNINGS, beginning of year	9,356,146	8,120,962
	$11,714,215	$10,270,029
LESS- Cash dividends ($5.25 per share in 1970 and 1969)	913,883	913,883
RETAINED EARNINGS, end of year (Note 1)	$10,800,332	$ 9,356,146

(The accompanying notes to financial statements are an integral part of this statement.)

Copied from an original at The History Center, Diboll, Texas. www.TheHistoryCenterOnline.com 2013:023

CONSOLIDATED BALANCE SHEET -- D

ASSETS	1970	1969
CURRENT ASSETS:		
Cash	$ 2,497,314	$ 1,893,103
Temporary investments, at cost, which approximates market	-	2,750,000
Accounts receivable, less reserve of $100,000 in 1970 and $100,000 in 1969	6,847,060	6,167,325
Installment notes and contracts receivable (including $950,803 in 1970 and $285,296 in 1969 due after one year), less reserve for losses of $50,000 in 1970 and $50,000 in 1969	1,428,695	355,588
Inventories, at lower of average cost (on a first-in, first-out basis) or market	17,152,960	15,678,441
Total current assets	$27,926,029	$26,844,457
PROPERTY, PLANT, AND EQUIPMENT, at cost	$22,317,791	$20,948,792
Less - Reserve for depreciation	9,550,974	8,691,667
	$12,766,817	$12,257,125
OTHER ASSETS	$ 323,129	$ 316,266
	$41,015,975	$39,417,848

NOTES TO FINANCIAL STATEMENTS

(1) Long-term debt -

The long-term debt at December 31, 1970, is payable $250,000 semiannually beginning in 1972 and bears interest at 6.7 percent. The related loan agreement contains various restrictive covenants including restrictions as to the payment of dividends and a requirement that working capital, as defined, must be maintained at not less than $14,000,000. At December 31, 1970, retained earnings of the parent company of approximately $2,400,000 were not restricted as to the payment of dividends under the loan agreement.

(2) Deferred Federal income taxes -

The company uses the straight-line depreciation method for financial reporting and an accelerated method for tax purposes.

In 1969 the company deferred for financial reporting purposes $250,000 of interest and preoperating expenses incurred during construction of its new trailer plant. These costs are being amortized over the life of the plant for financial reporting purposes but were deducted in 1969 for tax purposes.

Copied from an original at The History Center, Diboll, Texas. www.TheHistoryCenterOnline.com 2013:023

. AND SUBSIDIARIES

DECEMBER 31, 1970 AND 1969

LIABILITIES	1970	1969
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	$ 2,431,554	$ 3,007,182
Reserve for income taxes	1,270,206	743,637
Total current liabilities	$ 3,701,760	$ 3,750,819
LONG-TERM DEBT (Note 1)	$ 8,500,000	$ 8,500,000
DEFERRED FEDERAL INCOME TAXES (Note 2)	$ 523,000	$ 320,000
CONTINGENT LIABILITY, notes and conditional sales contracts sold with recourse, $1,400,000 in 1970 and $1,800,000 in 1969		
CAPITAL STOCK AND RETAINED EARNINGS:		
Common stock, par $100 per share; 175,000 shares authorized; 174,073 shares outstanding; 927 shares reserved for sale to key employees	$17,407,300	$17,407,300
Amounts received in excess of par on sales of common stock	83,583	83,583
Retained earnings (Note 1)	10,800,332	9,356,146
	$28,291,215	$26,847,029
(The accompanying notes to financial statements are an integral part of this statement.)	$41,015,975	$39,417,848

Provision has been made in the accompanying statements for the deferred taxes applicable to these timing differences between financial and tax reporting methods.

(3) Retirement plans -

The company and its subsidiaries have retirement plans covering substantially all employees. The total pension expense was $583,000 in 1970 and $585,000 in 1969, including amortization of prior service costs over a period not in excess of 30 years. During 1970 the plans were amended to increase benefits to participants and increase the interest rate used in the actuarial calculations. These changes did not, however, result in any significant change in retirement costs. The amount provided each year for pension expense is paid into pension trust funds. The total unfunded prior service cost at December 31, 1970, is estimated to be $1,515,000; however, the assets of the trust funds exceed the actuarially computed value of vested benefits.

(4) Litigation -

The company is involved in certain matters of litigation; however, in the opinion of management uninsured losses arising from these matters would not be significant.

Copied from an original at The History Center, Diboll, Texas. www.TheHistoryCenterOnline.com 2013:023

LUFKIN INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF SOURCE AND DISPOSITION OF WORKING CAPITAL
FOR THE YEARS ENDED DECEMBER 31, 1970 AND 1969

	1970	1969
SOURCE:		
Funds provided by operations -		
Net income	$ 2,358,069	$ 2,149,067
Depreciation (straight-line method)	1,006,542	778,849
Deferred Federal income taxes (Note 2)	203,000	248,000
	$ 3,567,611	$ 3,175,916
Proceeds from long-term debt or interim construction financing	-	5,000,000
	$ 3,567,611	$ 8,175,916
DISPOSITION:		
Net additions to property, plant, and equipment -		
New trailer plant	$ 165,232	$ 2,143,631
Other	1,351,002	1,076,797
Increase in other assets	6,863	121,942
Dividends	913,883	913,883
	$ 2,436,980	$ 4,256,253
INCREASE IN WORKING CAPITAL	$ 1,130,631	$ 3,919,663
WORKING CAPITAL, beginning of year	23,093,638	19,173,975
WORKING CAPITAL, end of year	$24,224,269	$23,093,638

(The accompanying notes to financial statements are an integral part of this statement.)

To the Stockholders,

Lufkin Industries, Inc.:

We have examined the consolidated balance sheet of Lufkin Industries, Inc. (a Texas corporation, formerly Lufkin Foundry and Machine Company) and subsidiaries as of December 31, 1970, and the related consolidated statements of income and retained earnings 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. We have previously examined and reported on the financial statements for the preceding year.

In our opinion, the accompanying financial statements present fairly the financial position of Lufkin Industries, Inc. and subsidiaries as of December 31, 1970, 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.

Houston, Texas
February 10, 1971

Copied from an original at The History Center, Diboll, Texas. www.TheHistoryCenterOnline.com 2013:023

SALES OFFICES

Machinery Division

Anaco, Venezuela
Ankara, Turkey
Atlanta, Georgia
Bakersfield, California
Baltimore, Maryland
Benghazi, Libya
Bogota, Colombia
Brisbane, Australia
Buenos Aires, Argentina
Calgary, Alta., Canada
Casper, Wyoming
Chicago, Illinois
Cincinnati, Ohio
Cleveland, Ohio
Dallas, Texas
Denver, Colorado
Edmonton, Alta., Canada
Estevan, Sask., Canada
Great Bend, Kansas
Hobbs, New Mexico
Houston, Texas
Kansas City, Kansas
Kilgore, Texas
Kuwait, Arabian Gulf
La Paz, Bolivia
London, England
Los Angeles, California
Maracaibo, Venezuela
Mexico City, Mexico
Natchez, Mississippi
New Orleans, Louisiana
New York, New York
Odessa, Texas
Oklahoma City, Oklahoma
Pampa, Texas
Paris, France
Philadelphia, Pennsylvania
Pittsburgh, Pennsylvania
Rio De Janeiro, Brazil
San Fernando, Trinidad
San Francisco, California
Seattle, Washington
Singapore
Talara, Peru
Tripoli, Libya
Tulsa, Oklahoma

Trailer Division

Atlanta, Georgia

Birmingham, Alabama

Dallas, Texas

Houston, Texas

Jackson, Mississippi

Kansas City, Missouri

Lubbock, Texas

Memphis, Tennessee

Nashville, Tennessee

New Orleans, Louisiana

Oklahoma City, Oklahoma

San Antonio, Texas

Shreveport, Louisiana

Copied from an original at The History Center, Diboll, Texas. www.TheHistoryCenterOnline.com 2013:023

