

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1994-05-13** | Period of Report: **1994-04-01**  
SEC Accession No. **0000950123-94-000907**

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FILER

**FOSTER WHEELER CORP**

CIK: **38321** | IRS No.: **131855904** | State of Incorporation: **NY** | Fiscal Year End: **1231**  
Type: **10-Q** | Act: **34** | File No.: **001-00286** | Film No.: **94527770**  
SIC: **1600** Heavy construction other than bldg const - contractors

Business Address  
*PERRYVILLE CORPORATE  
PARK  
CLINTON NJ 08809  
9087304090*

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D. C. 20549

-----

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934.

FOR THE QUARTERLY PERIOD ENDED APRIL 1, 1994

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934.

FOR THE TRANSITION PERIOD FROM \_\_\_\_\_ TO \_\_\_\_\_

COMMISSION FILE NUMBER 1-286-2

FOSTER WHEELER CORPORATION

-----  
(Exact name of registrant as specified in its charter)

New York

13-1855904

-----  
(State or other jurisdiction of  
incorporation or organization)

-----  
(I.R.S. Employer  
Identification No.)

Perryville Corporate Park, Clinton, N. J.

08809-4000

-----  
(Address of principal executive offices)

-----  
(Zip Code)

Registrant's telephone number, including area code: (908) 730-4000

-----  
(Not Applicable)

-----  
Former name, former address and former fiscal year, if changed since last  
report.

Indicate by check mark whether the registrant (1) has filed all reports  
required to be filed by Section 13 or 15(d) of the Securities Exchange Act of  
1934 during the preceding 12 months (or for such shorter period that the  
registrant was required to file such reports), and (2) has been subject to such  
filing requirements for the past 90 days. Yes (X) No ( )

Indicate the number of shares outstanding of each of the issuer's classes of  
common stock, as of April 1, 1994 was 35,788,125 shares.

FOSTER WHEELER CORPORATION

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PART I. FINANCIAL INFORMATION

FOSTER WHEELER CORPORATION AND SUBSIDIARIES

ITEM 1. - FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED BALANCE SHEET  
 (IN THOUSANDS OF DOLLARS)

	April 1, 1994 (Unaudited)	December 31, 1993
	-----	-----
<TABLE>		
<CAPTION>		
ASSETS		
- - - -----		
<S>	<C>	<C>
Current Assets:		
Cash and cash equivalents	\$ 255,792	\$ 249,514
Short-term investments, at cost (which approximates market value)	132,683	127,876
Accounts and notes receivable	455,746	442,499
Contracts in process	107,392	87,076
Inventories	26,113	24,500
Prepaid and refundable income taxes	41,361	39,000
Prepaid expenses	11,897	12,989
	-----	-----
Total Current Assets	1,030,984	983,454
Notes and accounts receivable - long-term	46,082	40,560
Investments and advances	41,066	34,758
Land, buildings and equipment - at cost less accumulated depreciation: 1994 - \$217,529; 1993 - \$217,332	566,173	567,216
Cost in excess of net assets of subsidiaries acquired	4,057	4,098
Deferred charges and prepaid pension cost	164,829	160,967
Deferred income taxes	9,249	15,148
	-----	-----
Total Assets	\$1,862,440	\$1,806,201
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
- - - -----		
Current Liabilities:		
Current installments on long-term debt	\$ 30,801	\$ 32,523
Bank loans	99,087	59,725
Accounts payable and accrued expenses	269,796	292,738
Estimated cost to complete long-term contracts	304,216	287,508
Advance payments by customers	84,336	76,462
Income taxes	29,442	30,033
	-----	-----
Total Current Liabilities	817,678	778,989
Long-term debt, less current installments	398,031	396,741
Other long-term liabilities, deferred credits, postretirement benefits other than pensions and minority interest in subsidiary companies	210,310	211,604
Deferred income taxes	18,202	18,691
	-----	-----
Total Liabilities	1,444,221	1,406,025
	-----	-----
Stockholders' Equity:		
Common stock	35,808	35,707
Paid-in capital	37,600	35,076

Retained earnings	390,717	381,205
Accumulated translation adjustment	(45,355)	(51,261)
	-----	-----
	418,770	400,727
Less cost of treasury stock	551	551
	-----	-----
Total Stockholders' Equity	418,219	400,176
	-----	-----
Total Liabilities and Stockholders' Equity	\$1,862,440	\$1,806,201
	=====	=====

</TABLE>

See notes to financial statements.

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FOSTER WHEELER CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF EARNINGS  
(IN THOUSANDS OF DOLLARS, EXCEPT PER SHARE AMOUNTS)  
(UNAUDITED)

<TABLE>  
<CAPTION>

	Three Months Ended	
	April 1, 1994	March 26, 1993
	-----	-----
<S>	<C>	<C>
Revenues:		
Operating revenues	\$ 469,645	\$ 586,531
Other income	8,331	9,894
	-----	-----
Total revenues	477,976	596,425
	-----	-----
Costs and expenses:		
Cost of operating revenues	392,526	517,858
Selling, general and administrative expenses	49,731	49,386
Other deductions	8,891	9,636
Minority interest	1,023	653
	-----	-----
Total costs and expenses	452,171	577,533
	-----	-----
Earnings before income taxes	25,805	18,892
	-----	-----
Provision for income taxes:		
Federal and foreign	9,241	5,470
State	1,161	692
	-----	-----
	10,402	6,162
	-----	-----
Net earnings	\$ 15,403	\$ 12,730
	=====	=====
Weighted average number of common shares outstanding	35,731,019	35,638,203
	=====	=====
Earnings per share	\$ .43	\$ .36
	=====	=====
Cash dividends paid per common share	\$ .165	\$ .15
	=====	=====

</TABLE>

See notes to financial statements.

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FOSTER WHEELER CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
(IN THOUSANDS OF DOLLARS)  
(UNAUDITED)

<TABLE>  
<CAPTION>

	Three Months Ended	
	April 1, 1994	March 26, 1993
	-----	-----
<S>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net earnings	\$ 15,403	\$ 12,730
Adjustments to reconcile net earnings to cash flows from operating activities:		
Depreciation and amortization	10,351	10,968
Noncurrent deferred tax	5,576	4,468
Equity (earnings)/loss, net of dividends	(28)	265
Other	(967)	(672)
Changes in assets and liabilities:		
Receivables	(16,372)	75,760
Contracts in process and inventories	(22,120)	(16,100)
Accounts payable and accrued expenses	(21,242)	(32,822)
Estimated cost to complete long-term contracts	13,710	32,983
Advance payments by customers	4,727	(520)
Income taxes	(2,359)	(1,353)
Other assets and liabilities	(3,646)	(5,915)
	-----	-----
NET CASH (USED)/PROVIDED BY OPERATING ACTIVITIES	(16,967)	79,792
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(11,632)	(8,507)
Changes in short-term investments	873	(46,807)
Changes in investments and advances	(4,512)	(143)
Partnership distribution	(3,053)	(3,235)
Other	2,894	533
	-----	-----
NET CASH USED BY INVESTING ACTIVITIES	(15,430)	(58,159)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:		
Dividends to stockholders	(5,891)	(5,343)
Proceeds from the exercise of stock options	1,795	88
Proceeds from long-term debt	3,914	66
Repayment of long-term debt	(4,040)	(4,124)
Changes in short-term debt	36,797	30,856
	-----	-----
NET CASH PROVIDED BY FINANCING ACTIVITIES	32,575	21,543
	-----	-----
Effect of exchange rate changes on cash and cash equivalents	6,100	148
	-----	-----
INCREASE IN CASH AND CASH EQUIVALENTS	6,278	43,324
Cash and cash equivalents at beginning of year	249,514	146,485
	-----	-----
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 255,792	\$ 189,809
	=====	=====
Cash paid during period:		
- Interest (net of amount capitalized)	\$ 2,424	\$ 2,287
- Income taxes	\$ 3,566	\$ 1,714

</TABLE>

See notes to financial statements.

1. The condensed consolidated balance sheet as of April 1, 1994, and the related condensed consolidated statements of earnings and cash flows for the three month periods ended April 1, 1994 and March 26, 1993 are unaudited. In the opinion of management, all adjustments necessary for a fair presentation of such financial statements have been included. Such adjustments only consisted of normal recurring items. Interim results are not necessarily indicative of results for a full year.

The financial statements and notes are presented as permitted by Form 10-Q and do not contain certain information included in the Corporation's 1993 Annual Report, Form 10-K filed March 25, 1994 which should be read in conjunction with this report.

2. In the ordinary course of business the Corporation and its subsidiaries enter into contracts providing for assessment of damages for nonperformance or delays in completion. Suits and claims have been or may be brought against the Corporation by customers alleging deficiencies in either equipment design or plant construction. The Corporation and its subsidiaries also routinely become involved in litigation relating to patents and other intellectual property. There are several actions of that nature presently pending. If the presently pending suits described above were sustained in substantially the amounts asserted, they would have a material adverse effect on the Corporation's financial condition and results of operations. However, based on its knowledge of the facts and circumstances relating to the Corporation's liabilities, if any, and to its insurance coverage, management believes that the disposition of such suits will not result in charges against assets or earnings materially in excess of amounts provided in the accounts.

The Corporation and its subsidiaries, along with many other companies, are codefendants in numerous lawsuits pending in the United States and Canada, in which plaintiffs claim damages for personal injury or property damage alleged to arise from exposure to or use of asbestos. At April 1, 1994 and March 26, 1993, the suits pending numbered approximately 43,900 and 36,500, respectively. It is anticipated that a substantial number of similar suits will be filed in the future. Since the inception of asbestos-related litigation against the Corporation and its subsidiaries, approximately 29,500 lawsuits have been terminated without any payment or with only nominal payments by the insurers for the Corporation and its subsidiaries. Based on its knowledge of relevant facts and circumstances, on its determination of the availability and extent of insurance coverage, and on the advice of the Corporation's special counsel, the management of the Corporation is of the opinion that the ultimate disposition of pending and future asbestos-related lawsuits will not result in material charges against assets or earnings. The asbestos litigation herein described does not relate to any activities currently being carried on by the Corporation or its subsidiaries.

3. The Corporation's unsecured debt contains the following restrictions:

The Note Agreement pursuant to which the 8.58% notes were issued and the Revolving Credit Agreement require that consolidated Tangible Net Worth, as defined in the agreements, be at least \$400,000 plus 25% of earnings from 1991 and thereafter. At April 1, 1994, the consolidated Tangible

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FOSTER WHEELER CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(IN THOUSANDS OF DOLLARS, EXCEPT PER SHARE AMOUNTS)  
(UNAUDITED)

(Continued)

Net Worth was \$555,800. The Note Agreement and the Revolving Credit Agreement also require the maintenance of certain capitalization ratios. Both agreements require that the ratio of Indebtedness to Tangible Net Worth, as those terms are defined in the agreements, not exceed .65 to 1. At April 1, 1994 this ratio was .34 to 1.

4. A total of 1,110,450 shares were reserved for issuance under the stock option plans; of this total 612,912 were not under option.
5. Foster Wheeler Corporation had a backlog of firm orders as of April 1, 1994

of \$4,210,098 as compared to a backlog as of March 26, 1993 of \$3,876,609.

6. Earnings per share data have been computed on the weighted average number of shares of common stock outstanding. Outstanding stock options have been disregarded because their effect on earnings per share would not be significant.

7. Interest income and cost for the following periods are:

<TABLE>

<CAPTION>

	Three Months Ended	
	April 1, 1994	March 26, 1993
<S>	<C>	<C>
Interest income	\$6,179 =====	\$6,339 =====
Interest cost	\$8,216 =====	\$8,361 =====

</TABLE>

Included in interest cost is interest capitalized on self-constructed assets for the three months ended April 1, 1994 of \$168 and \$165 for the three months ended March 26, 1993.

8. The total tax provision, which includes state taxes on income, equaled 40.3% of income before taxes for the three months ended April 1, 1994 and 32.6% for the three months ended March 26, 1993. The tax provision for the quarter ended April 1, 1994 exceeded the 35% federal statutory rate primarily as the result of state taxes.

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FOSTER WHEELER CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(IN THOUSANDS OF DOLLARS, EXCEPT PER SHARE AMOUNTS)

(UNAUDITED)

(Continued)

9. Changes in stockholders' equity for the three months ended April 1, 1994 were as follows:

<TABLE>

<CAPTION>

	Common Stock		Paid-in Capital	Retained Earnings	Accumulated Translation Adjustment	Treasury Stock		Total Stockholders' Equity
	Shares	Amount				Shares	Amount	
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Balance December 31, 1993	35,706,982	\$35,707	\$35,076	\$381,205	\$(51,261)	20,129	\$(551)	\$400,176
Net earnings				15,403				15,403
Dividends paid - common				(5,891)				(5,891)
Sold under stock options	101,272	101	1,694					1,795
Tax benefits related to incentive plan and stock options			830					830
Current period translation adjustment					5,906			5,906
Balance April 1, 1994	35,808,254 =====	\$35,808 =====	\$37,600 =====	\$390,717 =====	\$(45,355) =====	20,129 =====	\$(551) =====	\$418,219 =====

</TABLE>

FOSTER WHEELER CORPORATION AND SUBSIDIARIES

ITEM 2.- MANAGEMENT'S DISCUSSION AND ANALYSIS  
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (UNAUDITED)

The following is Management's Discussion and Analysis of certain significant factors which have affected the financial condition and results of operations of the Corporation for periods indicated below. This discussion and analysis should be read in conjunction with the 1993 Annual Report, Form 10-K filed March 25, 1994.

A. Consolidated results of operations for three months ended April 1, 1994 vs. three months ended March 26, 1993.

The backlog of unfilled orders as of April 1, 1994 totaled \$4.2 billion, the highest in the history of the Corporation. Among all business groups, this represented an increase of approximately \$330 million (9%) over the amount reported for March 1993. Foster Wheeler Energy Corporation in the United States (Energy Equipment Group) and Foster Wheeler Italiana, S.p.A. (Engineering and Construction Group) were primarily responsible for the increase in unfilled orders.

New orders booked for the first quarter of 1994 amounted to approximately \$840 million. This represented an increase of 22 percent over the first quarter of 1993. The primary reason for this increase was the significant amount of bookings reported by Foster Wheeler Energy Corporation and Foster Wheeler Limited - U.K. (Engineering and Construction Group).

Operating revenues for the first quarter of 1994 decreased by 20 percent in comparison to the first quarter of 1993. This decrease related to the significant billings recorded by Foster Wheeler Limited - U.K. and Foster Wheeler France, S.A. (Engineering and Construction Group) in 1993 for material and other pass-through costs.

Other income decreased to \$8.3 million in 1994 from \$9.9 million in 1993, or approximately \$1.6 million. Approximately 75 percent of the other income for the first quarter of 1994 was due to interest income. Approximately 50 percent of the decrease related to foreign exchange gains recorded in the first quarter of 1993. Selling, general and administrative expenses have remained at approximately the same level as reported for the first quarter of 1993. Other deductions decreased \$745,000 to \$8.9 million. This decrease was the result of losses recognized on the equity basis during the first quarter of 1993 and higher amortization of goodwill in 1993.

Net earnings rose by approximately 20 percent to \$15.4 million or \$.43 per share, compared with \$12.7 million or \$.36 per share for the first quarter of 1993. The \$2.7 million increase in net earnings reported by the Corporation was mainly due to the significant increase in net earnings reported by the Energy Equipment Group.

FOSTER WHEELER CORPORATION AND SUBSIDIARIES

ITEM 2. - MANAGEMENT'S DISCUSSION AND ANALYSIS  
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (UNAUDITED)  
(Continued)

B. Consolidated Financial Condition

Stockholders' equity at the end of the first quarter of 1994 increased \$18 million from year end. The increase from net earnings (\$15.4 million) and accumulated translation adjustment (\$5.9 million) was partially offset by dividends paid (\$5.9 million).

Since December 31, 1993, cash and cash equivalents have increased by \$6.3 million. Cash generated from earnings of \$30.3 million reduced by an increase in funding of working capital resulted in a use of cash from operating activities of \$17 million. Cash was used to pay dividends of



\$5.9 million and long-term debt of \$4.0 million. At the Board of Directors meeting on April 25, 1994, the quarterly cash dividend was raised from 16.5 cents per share to 18.5 cents per share. Existing cash balances, short-term investments and unused credit facilities with banks remain adequate to support increased backlog, expected operating levels and anticipated future investing and financing activities.

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PART II. OTHER INFORMATION

FOSTER WHEELER CORPORATION AND SUBSIDIARIES

ITEM 2. - CHANGES IN SECURITIES

- (b) Note 3 of the Notes to Condensed Consolidated Financial Statements which appears on Page 5 of Part I of this Report is incorporated herein by reference.

ITEM 6. - EXHIBITS AND REPORTS ON FORM 8-K

- (b) Reports on Form 8-K  
None.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

FOSTER WHEELER CORPORATION

-----  
(Registrant)

Date: May 10, 1994

/S/ Richard J. Swift

-----  
Richard J. Swift  
(Chairman, President and  
Chief Executive Officer)

Date: May 10, 1994

/S/ David J. Roberts

-----  
David J. Roberts  
(Vice Chairman and  
Chief Financial Officer)

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