THE MANAGEMENT of your company submits this Report to Stockholders for a ten month period — January 1, 1942 through October 31, 1942 — as, beginning with November 1, 1942 it was deemed expedient to arrange our fiscal year so it will start with the first day of November and end with the last day of October each year. This has been done in the interest of operating efficiency and it enables us to publish and place this Annual Report in your hands soon after the close of the calendar year.

Your company has made substantial gains during the ten month period covered by this Report. As the year ends, our financial position continues not only sound but strengthened. A very substantial gain in sales has been registered as is shown by a comparison with sales for 1941 which totaled $7 million while sales for the 1942 ten month period totaled $33 million. Engineering and Construction sales accounted for 81.70% of the 1942 total while Cooling Tower, Gas Cleaner and Engine Muffler sales accounted for 18.30%. How the 1942 income from sales was expended is shown on Page 5 in terms of percentages by the division of the Fluor Dollar.

These gains are both important and impressive. However, the management of your company feels that their true importance is to be found in the substantial physical gains they have made possible. It thus becomes the purpose of this Report to list and review these gains.

The stature of a company can well be measured by its manpower and their calibre; by its equipment and its modernity and efficiency.
It is the combination of these that gets things done quickly and well. In terms of both, your company has made very substantial strides. For example, we employed an average of 100 draftsmen in 1941 while during 1942 this number increased to 330. The engineering staff totaled 10 in 1941 while in 1942 this number increased to 55. Advances in personnel in other departments, both in the office and the field, were proportionate to the need of the times.

New departments, likewise, have been added. These include the Research and Development Department, the Personnel Department and the Advertising and Public Relations Department. Numbered among the men who form this increased personnel are many of highest calibre whose association with your company constitute definite assets strengthening not only our present but our future positions, as well. In addition, we are pleased to announce the election of Mr. Shirley E. Meserve to the office of Vice President and to the Board of Directors in a move which materially strengthens the Executive and Administrative staff of your company.

The increase in personnel has had a pronounced influence on the property holdings of your company. During 1942 we thrice enlarged the General Office Building. Two large drafting annexes were built on the property. In addition, we reached a long sought goal in the erection of our Research and Development Laboratory which is completely equipped for the refinement of existing patented processes and for experimentation into the field of new processes. Much of the future of your company lies in this direction. Further, your company purchased the 5¼ acres immediately adjoining our property on the south. In Kansas City, our offices have been enlarged, while the company has opened new and larger offices in New York and Houston, Texas. Both the New York and Houston offices will be company staffed and managed.

A total of $345,000 was invested in new buildings, tools and construction equipment. It is important to note that of this total, $263,000 was expended for emergency facilities made necessary by the war. The cost of these emergency facilities is to be amortized over a period of time not exceeding five years or in less time if the war ends before expiration of that five year period. Thus, the company will receive this sum back in the form of allowable tax deductions by or before the end of the five year period.

The circle above illustrates the division of each dollar earned by Fluor during 1942. Out of every 100 cents earned, 55 cents were paid to the Federal government as taxes. Twenty-one cents were set aside as a contribution to The Fluor Employees Trust Fund. Out of each dollar earned, 13 cents were paid to Stockholders for the use of their money while 8 mills went into a fund to provide working capital. The remaining 10 cents and 2 mills is reserve set aside for the purchase of additional equipment and for the replacement of worn equipment.

**THE FLUOR DOLLAR**
Our construction activities cover a vast area. Work is in progress from West Virginia in the east to California in the west and from Wyoming in the north to Texas in the south. To assure that this work will be completed in what we are pleased to term the Fluor manner, our holdings in modern equipment and tools have been increased to a point consistent with the construction programs involved.

Your company enters the new fiscal year in a sound financial and physical condition. It has excellent banking connections in which respect is mutual. Collections are in a better position than ever before due to new methods evolved and now employed. It will require most of 1943 to complete much of the work on hand and prospects for new business are good. Definite manpower additions of measurable value have been made. Thus, the Executive Management of your company is engaged in the consolidation of these factors to the end that not only your company's present interests will best be served, but to the larger end in which long range planning will enable your company to become even more firmly entrenched in its fields of activity.

Respectfully submitted,

P. E. FLUOR
EXECUTIVE VICE PRESIDENT