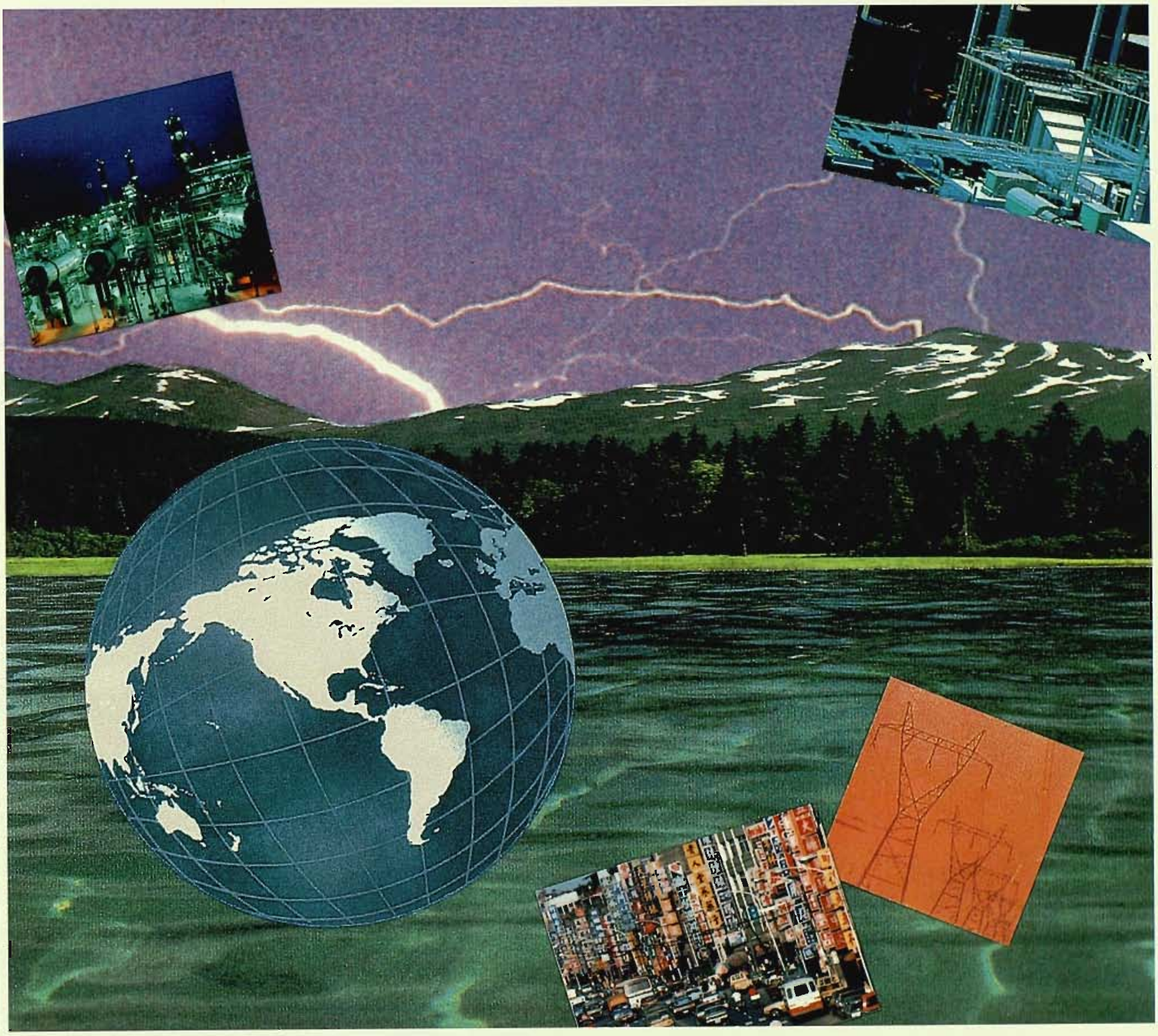
# FLUOR



Opportunity created through change

will mark the decade of the 1990s.

1990 Annual Report

## Mission Statement

- *Mission*
  As Fluor Daniel employees, our mission is to assist clients in attaining a competitive advantage by delivering quality services of unmatched value.

- *Services and Markets*
  We provide a complete range of engineering, construction, maintenance and related services to virtually all industries and government.
  We service our clients through a network of offices strategically located around the world. We globally link technology, experience, human resources and services in meeting client needs.

- *Principles*
  To add value to our services, these principles are emphasized:
  - We are client focused.
  - We are innovative and flexible in meeting client needs.
  - We deliver quality.
  - And above all, we do every task safely.

- *Philosophy*
  Our philosophy is based upon ethical conduct, mutual trust and teamwork. To ensure continuous improvement, we challenge, test, reevaluate and continually raise our standards of excellence.
  As a service organization, our success depends upon the combined capability and contribution of all employees.
  Fluor Daniel is dedicated to fostering a work environment which challenges, enriches and rewards each individual.

## Company Description

Fluor Corporation is one of the world's largest international engineering, construction, maintenance and related services companies, and has important investments in coal and lead.

Fluor Daniel, the company's principal operating business, provides a broader range of technical services to more clients in more industries and geographic locations than any global competitor. Organized to meet client needs, the company is structured into five business sectors: Hydrocarbon, Government, Industrial, Process and Power. Services include feasibility studies, conceptual design, project management, engineering, construction, procurement, technical services, project financing, maintenance and plant operations. Fluor Daniel provides global capability from over 50 offices located around the world.

A.T. Massey Coal Company, Fluor's investment in coal, produces both high-quality, low-sulfur steam coal and metallurgical coal and ranks among the 10 largest coal companies in the United States. In addition to sales of produced coal, Massey also markets coal for independent producers.

Fluor's investment in lead is conducted through The Doe Run Company, which produces approximately 60 percent of all U.S. primary lead metal, and is developing a meaningful position in the secondary market for battery recycling.

## About the Cover

The annual report cover depicts four fundamental global trends expected to stimulate capital investment throughout the 90s. These trends, which will drive our engineering and construction business over this decade, are more fully described and illustrated on pages 6-7, 10-11, 14-15 and 18-19.

## Contents



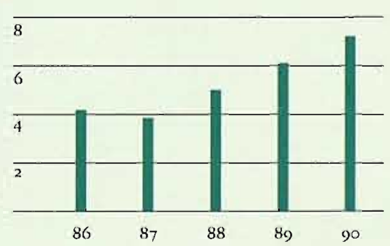
# Highlights



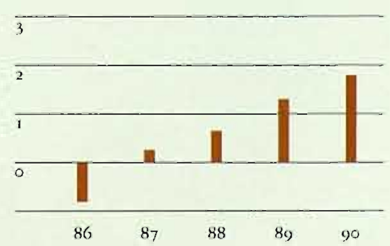
| $ in thousands, except per share amounts | 1990 | 1989 | Percent Change |
|---|---|---|---|
| **Fiscal Year** | | | |
| Revenues | $7,446,280 | $6,277,607 | 19 |
| Net earnings | 146,886 | 108,484 | 35 |
| Net earnings per share | $ 1.81 | $ 1.35 | 34 |
| Return on average shareholders' equity | 18.6% | 16.5% | — |
| Capital expenditures | $ 155,686 | $ 139,174 | 12 |
| New awards | 7,632,300 | 7,135,300 | 7 |
| Cash dividends per common share | $ 0.24 | $ 0.14 | 71 |
| **At Year End** | | | |
| Working capital | $ 238,822 | $ 238,720 | — |
| Bond portfolio | 150,131 | 151,640 | 1 |
| Total assets | 2,475,796 | 2,154,313 | 15 |
| Backlog | 9,557,800 | 8,360,900 | 14 |
| Capitalization | | | |
| Long-term debt | 57,662 | 62,477 | 8 |
| Shareholders' equity | 863,965 | 720,363 | 20 |
| Total capitalization | $ 921,627 | $ 782,840 | 18 |
| Percent of total capitalization | | | |
| Long-term debt | 6.3 | 8.0 | — |
| Shareholders' equity | 93.7 | 92.0 | — |
| Closing stock price | $ 32⅜ | $ 28¼ | 13 |
| Shareholders' equity per common share | $ 10.75 | $ 9.03 | 19 |
| Permanent employees | 22,188 | 20,059 | 11 |

The quarterly dividend was increased from $.02 per share to $.04 per share in the second quarter of 1989, to $.06 per share in the first quarter of 1990 and to $.08 per share in the first quarter of 1991.

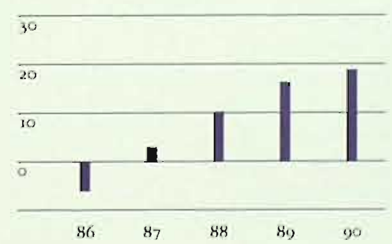
**Revenues**
dollars in billions




**Net Earnings (Loss) Per Share**
dollars




**Return on Equity**
percent



## Dear Fellow Stockholder

This past year Fluor's leadership position in the engineering and construction (E&C) industry was reconfirmed and the stage set for a decade of growth and prosperity. Progress in achieving the benchmarks set by management for 1990 was as follows:

- New safety records were set, resulting in Fluor Daniel's overall safety performance being five times better than the U.S. industry average.
- Performance targets were achieved for both Fluor Daniel and our natural resource investments, resulting in 35 percent net earnings growth.
- Return on shareholders' equity improved to 18.6 percent.
- Quarterly dividends were increased 33 percent to 8 cents per share, consistent with the company's payout guideline of 20 percent of prior year earnings and acknowledgement of our overall optimism for the future.
- Long-term debt was reduced to less than $60 million and our cash and bond portfolio increased to $421 million.
- Through both successful global marketing and superior project performance, Fluor Daniel was ranked Number 1 in the industry by *Engineering News-Record* for the third consecutive year.
- Continuous Performance Improvement (CPI) and operations excellence were emphasized resulting in two-thirds of Fluor Daniel's new orders coming from repeat clients.
- Non-U.S. project activity grew to 30 percent of backlog, closing in on our goal of 40 percent or more.
- Full control of our Doe Run Company lead investment was acquired, enhancing Fluor's strategic options and Doe Run's investment value.

Inherent in our long-term strategy is an operational structure that allows Fluor to respond immediately to the impact of change on emerging areas of opportunity. Our market diversification and organizational flexibility are designed to offset economic uncertainty in any single geographic or market area.

Leslie G. McCraw
Chairman of the Board and
Chief Executive Officer

Recognizing the substantial growth opportunities available in the decade ahead, we are now focusing our efforts in these areas:

- Attainment of growth and profitability objectives which will consistently place Fluor among the best performing of all U.S.-based public companies.
- Concentration on expense reduction, cost effectiveness and inter-unit teamwork and support.
- Company-wide implementation of the CPI concept to further improve the *value advantage* we offer.
- Greater penetration in our key markets, with particular emphasis outside the U.S.
- Further enhancement of electronic engineering and communication capabilities to expand the linkage within Fluor Daniel's global network of offices.
- Selective recruitment and extensive training of personnel to ensure that we provide clients with the best technical and most skilled craft people in the industry.



- Manage our leadership position in coal and lead to maximize cash flow.
- Improve our enviable financial structure, utilizing our growing cash position to enhance shareholder value.
- Although events in the Middle East have not played out fully, we are positioned to respond appropriately to those clients in the region in need of our services. As conditions change, the global flexibility of our organization will enable us to react accordingly.

## Engineering and Construction

We continue to focus and refine our core business strategy of diversification within the E&C industry—supplying more industries with more services in more geographical areas than any global competitor. Simple in concept, this strategy requires vigilance to assure concentration in areas of meaningful growth and profit opportunity.

Vincent L. Kontny
President and
Chief Operating Officer

The organizational structure supporting this approach allows us to utilize our people in markets of greatest potential. The majority of our technical personnel can be applied instantly to serve any type project or client need. Over the past three years we have made heavy investments in advanced electronic engineering and telecommunications systems to accomplish this objective.

Another element of our strategy is the *alliance concept* where we essentially perform as an extension of the client's organization. Fluor Daniel pioneered this concept over four years ago and today nearly 20 percent of our resources are dedicated to long-term client alliances. Such relationships will be even more prevalent in the coming decade with clients as well as suppliers, and we intend to remain a leader in this arena.

## Natural Resources

Passage of the Clean Air Act Amendments clearly suggests that low-sulfur coal, Massey's prime resource, will be vital to compliance. We intend to expand Massey's low-sulfur reserves in an opportunistic manner to capitalize on their excellent management, operating expertise and world-class marketing capabilities.

Now that Fluor is sole owner of Doe Run, we intend to pursue a strategy compatible with the corporation's overall goals. We are expediting Doe Run's entry into the lead recycling market. This investment will not only enhance Doe Run's position as the largest fully integrated producer of lead in the U.S. but position it as the only significant source for both new, high-grade lead and recycled products.

The managements of Massey and Doe Run are to be commended for their profit and cash flow contribution to 1990 results, in addition to their commitment to employee safety, environmental concerns and community betterment programs.

## Management Changes

After nearly four decades of invaluable service to this company, Dave Tappan retired as Fluor's chairman of the board on December 31, 1990. As president, Dave led Fluor's efforts in building a world-class organization. As chief executive officer, he set the direction for the company's vital restructuring in the 1980s and assembled the management team that will lead Fluor into the 1990s. Our gratitude is deeply felt.

David S. Tappan, Jr.
Retired, former
Chairman of the Board

Dave continues to serve on Fluor's board of directors, where his wisdom and experience will be available to us all.

At year end, Caroline Leonetti Ahmanson retired as a director, having served since September 1985. She brought an important dimension to Fluor's board and a wealth of experience in global commerce and business. Caroline and her perceptive counsel will indeed be missed.

Fluor will be welcoming a new director to the board with the election of Martha R. Seger effective upon her departure from the Board of Governors of the Federal Reserve System, a post she has held for the past six years. Prior to her government service Dr. Seger was a professor of finance at Central Michigan University and banking commissioner for the state of Michigan. Her extensive experience with the domestic and international banking community will make a valuable contribution to our board.

Fluor has never been better equipped to meet the challenges of our increasingly interdependent global markets. Our solid financial strength, our commitment to a flexible operating style and our worldwide reputation as a responsible industry leader all point the way to achievements that will outstrip the gains of the past. With the continued support of our valued clients, employees, shareholders and directors, we move forward in confidence that the best is yet to come.

Les McCraw
Chairman and Chief Executive Officer

Vince Kontny
President and Chief Operating Officer

January 18, 1991



## Operations Report

### Engineering & Construction

The company's core engineering and construction (E&C) business, Fluor Daniel, delivered improved operating results in 1990. Meaningful earnings growth was achieved while expanding our global E&C capabilities across more than 25 industries.

E&C operating profits in 1990 were $135 million, 15 percent ahead of last year which included the positive Iranian project settlement net of certain costs. New awards grew to $7.6 billion, the second best year in our history, up from $7.1 billion in 1989. For the past three years, Fluor Daniel has been ranked Number 1 by *Engineering News-Record* based on new contract awards. Backlog advanced 14 percent in 1990 to $9.6 billion, while revenues grew 21 percent to $6.4 billion.

Over the past four years, Fluor Daniel has concentrated on its diversification strategy, reducing dependence on any single market and improving long-term growth potential. Our accomplishments this past year required innovation and flexibility in adapting and responding to rapidly changing business conditions. Dynamic geopolitical change, particularly the chain of events in Eastern Europe and the Middle East, clearly tested our ability to capitalize on a changing mix of business. It is a test which will be repeated throughout the new decade.

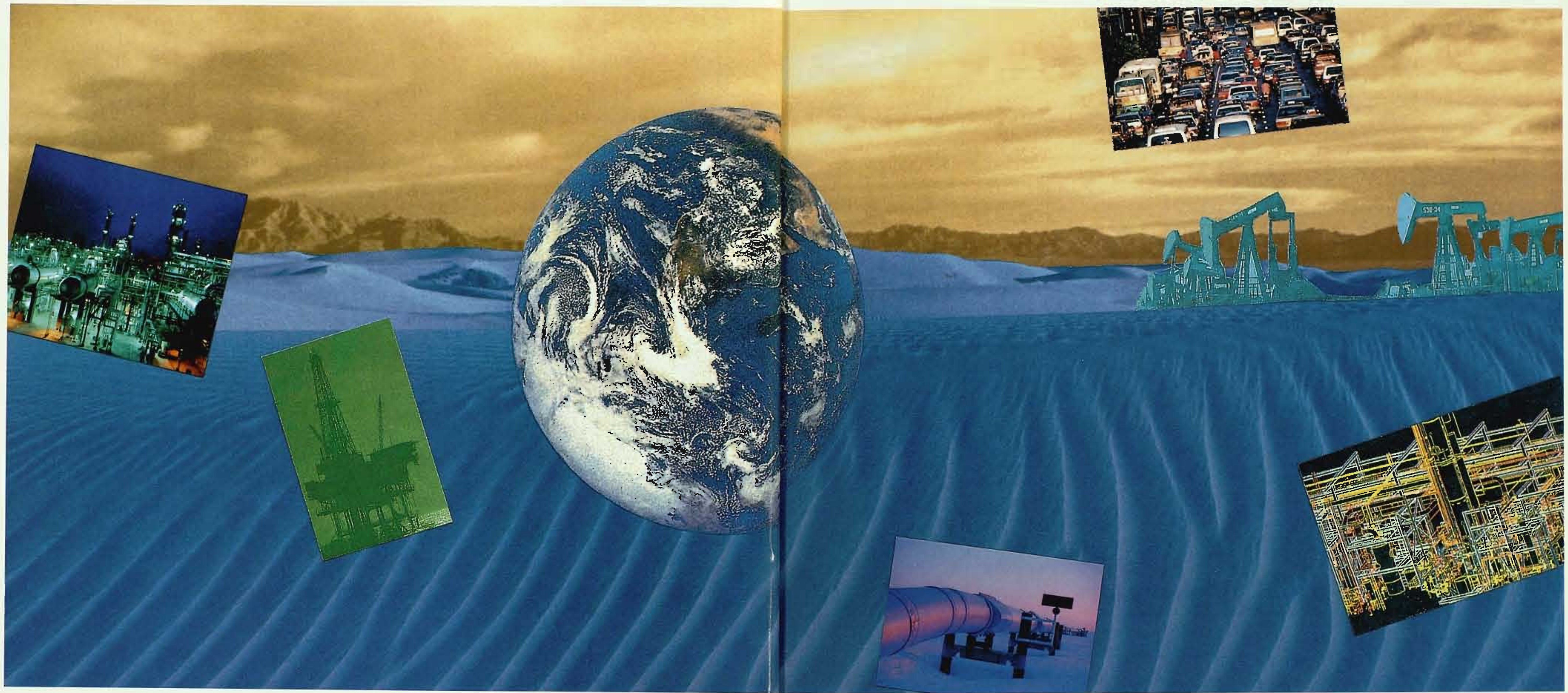
Change, if properly managed, is opportunity. Fluor Daniel's challenge is to allocate the appropriate level of resources, keeping pace with change and capitalizing on opportunities presented.

To continue to improve the value advantage offered clients by Fluor Daniel, several strategies are being followed. Foremost among them is leadership in the application of new and emerging technologies. Now in its third year, our Growth through Excellence in Technology, or "GET" program is investing in the application of environmentally driven technologies needed to produce electric power, steel, pulp and paper, and cleaner-burning transport fuels. Other areas of focus include advanced cleanroom design for electronics manufacturing, evaluation of composite materials applications in offshore production structures, advanced bioreactor design and control concepts, and construction approaches for NASA's proposed space-based facilities. In addition, a relationship has been established with the leading E&C firm in Eastern Europe as an initial step in serving that emerging market.

The decade of the 90s has the potential of being the most exciting, broadly based growth cycle in the history of our industry and company. The primary external factors that will drive our business during this decade include:

- installation, upgrading and maintenance of facilities to support growing demand for oil and gas worldwide;
- determination globally to address environmental issues;
- reallocation of resources to generate economic wealth, particularly in the heavily populated Asia/Pacific region; redefinition of geographic markets to create stronger economic units in Europe and North America; and the emergence of developing economies in Eastern Europe and elsewhere around the world; and finally,
- lagging U.S. power generating capacity relative to demand, combined with an aging infrastructure of process and industrial plants.

Each of these long-term factors, graphically illustrated on the following pages, will require engineering and construction solutions, creating unparalleled demand for technical services throughout the 1990s.



The global nature of the oil and gas industry and the growing demand worldwide for this energy source represents one of the largest single markets for technical services. Capital investment for new or retrofitted hydrocarbon facilities is being driven by: 1) basic demand growth to support economic development; 2) strategic plans by oil and gas producers and users to respond to changing market conditions; and 3) important environmental concerns. The client base for this global market is diverse, including regional firms, large international corporations, and national oil companies. Fluor Daniel's market position, experience and qualifications to serve this rapidly expanding market are without equal.

## Hydrocarbon Sector

The Hydrocarbon Sector achieved strong gains in 1990 with further growth anticipated. A number of broad-based trends are concurrently stimulating this global market. Environmental concerns, aging plants and growth in energy demand, as well as oil supply reliability and pricing issues, are all contributing to an outlook for significant growth worldwide for the Hydrocarbon Sector.

Our strategy is to enhance our leadership position in this important market by capitalizing on our unique strengths. These include global presence, world-class project management and execution capabilities, leading edge technology, long-standing client relationships, and our ability to provide the necessary resources, including technical personnel and project financing, to perform complex, multi-year megaprojects as well as small technically driven assignments. The acquisition of Williams Brothers Engineering early in 1990 significantly enhanced our pipeline and production capabilities.

Fluor Daniel's Hydrocarbon Sector provided a full spectrum of services from design through construction management and startup assistance for a Shell grass roots polypropylene plant near Cologne, Germany.

New awards in 1990 were $2.4 billion, up from $1.6 billion in 1989. Backlog grew 50 percent to $2.9 billion, and represents 31 percent of our total.

The Hydrocarbon Sector provides a full range of services through its three business units: Petroleum and Petrochemicals; Production and Pipelines; and Mining and Metallurgy.

Capital spending on refinery projects in the U.S. is being driven by environmental legislation, heavier feedstocks and the need to replace aging facilities. Several awards were received in 1990 for hydrotreater projects which reduce the sulfur content in diesel fuel. The trend toward projects to produce cleaner burning reformulated gasoline has been reinforced by the passage of the Clean Air Act Amendments. Modernization and upgrade projects to process heavier crudes while improving the yield of lighter-end products such as gasoline also continue to be active.

Engineering and procurement services for a high vacuum unit at Veba Oel's refinery complex in Gelsenkirchen, Germany were performed by Fluor Daniel's Hydrocarbon Sector.

Outside the U.S., project opportunities for new oil and gas production and grassroots refining facilities are at their highest levels in ten years. A significant award in late 1990, not yet included in backlog, was for program management of the Northern Area Crude Expansion Program in Saudi Arabia. Growing world demand for petroleum, exacerbated by oil supply disruptions in the Middle East, is stimulating oil and gas production projects around the world. Significant upstream projects are currently planned in Venezuela and Asia/Pacific. Although somewhat longer-term, the prospects for development of the Soviet Union's vast oil and gas reserves have also improved.



Additionally, new downstream refinery projects are planned in several Asia/Pacific countries, driven by rapid internal economic growth as well as opportunities for export. Increased environmental requirements in Europe are also expanding our opportunities for refinery modernization and upgrading projects.

Fluor Daniel's Hydrocarbon Sector provided engineering, procurement and construction management services for all facilities, including ore processing plants and infrastructure, for the large Escondida Copper project in Chile.

New copper and gold projects continue to be developed. Significant awards received by the Mining and Metallurgy business unit in 1990 included front-end engineering for a new primary copper processing plant in Texas, and engineering and construction management for a copper ore and molybdenum processing facility in Chile. The large Escondida Copper project in Chile was recently completed, well ahead of schedule and within budget. The successful integration of our two-year old acquisition of Wright Engineers Ltd. was completed during the year. Fluor Daniel/Wright combines unique technical strengths with a network of global resources to expand our worldwide capability to service clients in the mining and metallurgy market.

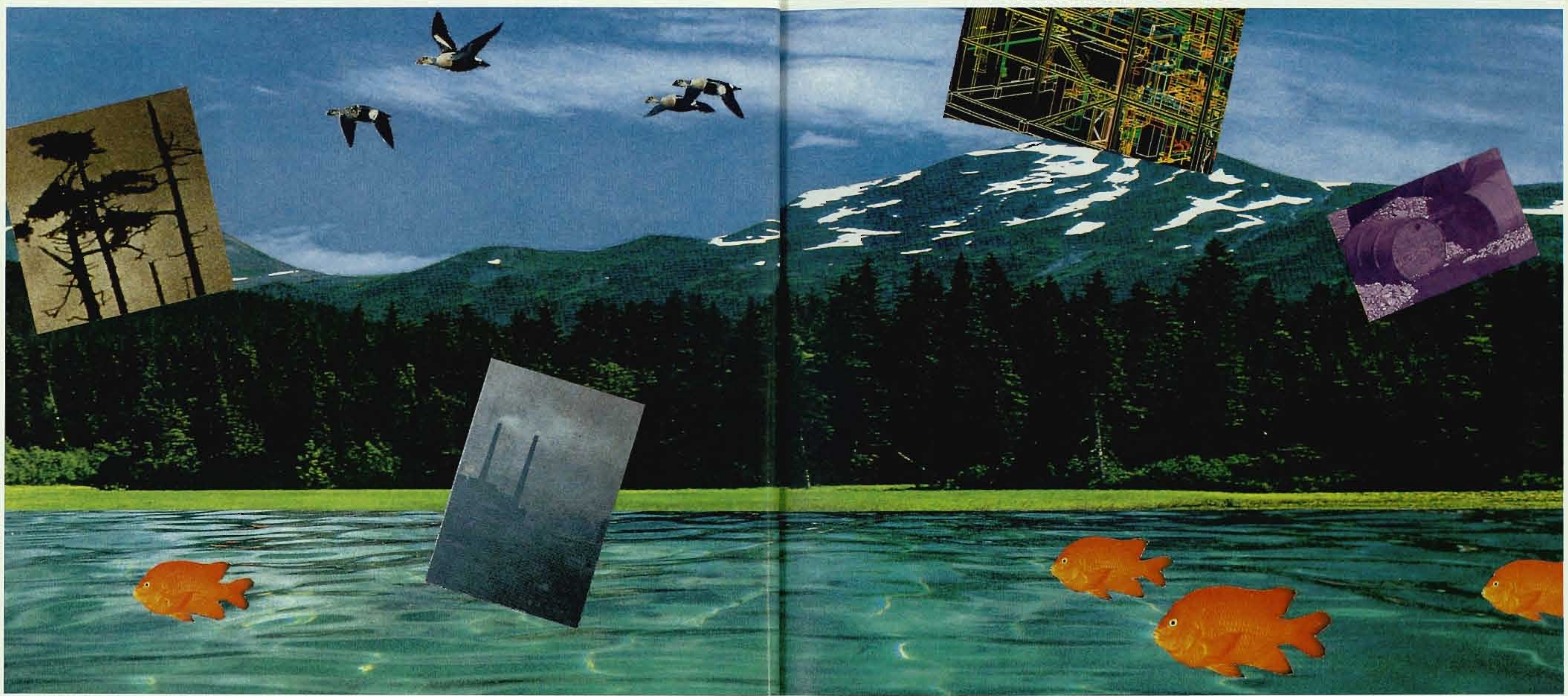
## Government Sector

Dramatic growth in the Government Sector continued in 1990, driven by expanding markets within our diversified client base. New awards were a record $887 million, pushing backlog to $1.2 billion, representing 12 percent of our total. Importantly, contracts in the Government Sector tend to have a greater proportion of engineering and technical services, making it a strong contributor to earnings.

Engineering and construction management was provided to the DOE by Fluor Daniel's Government Sector for a 13- mile pipeline and meter station connecting to the West Hackberry Strategic Petroleum Reserve (SPR). The first SPR sale passed through this system in October.

A broad range of services are provided by the Government Sector through its five business units: Advanced Technology; Environmental Services; Telecommunications; Space and Defense; and FD Services/SOS. The sector serves clients in both the government and private sector, with nongovernment work representing approximately 30 percent of its backlog.

The Advanced Technology unit provides leading edge technology skills primarily in nuclear and other fuel cycles. Significant contracts included the Hanford Waste Vitrification project to handle long-term storage of spent nuclear fuel for the Department of Energy (DOE); and engineering services at Idaho Falls, also for the DOE, to upgrade and expand processing facilities which convert spent nuclear fuel into reusable fuel, minimizing waste generation and storage.



In the 1990s, no trend has more pervasive implications than growing environmental awareness and determination to address what is clearly a global issue. Increasing environmental priorities are affecting virtually every market and client Fluor Daniel serves. Being a leader in engineering and construction in the new decade is synonymous with being a leader in environmental services. Capital investment will focus not only on remediation and cleanup of existing problems but engineering new environmental safeguards into future industrial and process facilities to eliminate waste and pollution. While the decade of the 80s was one of environmental rhetoric, the 90s will be a decade of environmental action.

The Environmental Services unit is growing rapidly and the outlook is for continued expansion throughout the decade. Many of Fluor Daniel's clients are devoting significant portions of their capital spending budgets to environmental projects. More stringent legislation, public awareness and prudent management have moved this market from evaluation to remediation. Several dozen key technologists were hired in 1990 to strengthen our environmental services capabilities. Fluor Daniel recently formed an alliance with Olin Chemicals to provide environmental remediation services for Olin throughout the U.S.

The Telecommunications business unit has established a firm presence in this developing market for its specialized capabilities. A more complex society with an increasingly global perspective creates a need for improved communications. An example is the Los Angeles Emergency 911 Communications Systems and Command Center project which is nearing completion.

Despite decreased spending in markets served by the Space and Defense unit, significant contracts in progress include construction management services at the Stennis Space Center for NASA, and an automobile air bag propellant and assembly plant in Arizona for TRW.

Engineering, procurement and construction management services are being provided by Fluor Daniel's Government Sector to TRW for a new auto air bag propellant and assembly plant in Mesa, Arizona.

The FD Services/SOS business unit provides facilities operations, maintenance and asbestos abatement services to a growing client base in both the public and private sectors.

## Industrial Sector

The Industrial Sector made significant strides during 1990 in its strategic goal of broadening geographic market penetration and extending the scope of services it provides. While the pace of new awards slowed from the high levels experienced over the past two years, certain markets remain active and new contracts have shifted from providing construction-only services to total responsibility. While new awards in 1990 were $1.7 billion, down from $2.4 billion last year, the profit margin on this new business has improved because of higher engineering and technical service content. Backlog at year end was $2.4 billion or 25 percent of our total.

The most diverse of Fluor Daniel's business sectors, the Industrial Sector provides a full range of services through its five business units: Pulp and Paper; Metals; Foods, Beverages and Consumer Products; Commercial; and Automotive and Electronics.

The market for new pulp and paper projects, which had been exceptionally strong in 1988 and 1989, began to slow in the U.S. as new paper capacity is absorbed into the marketplace. One exception to this trend has been continuing strength in the tissue market where Fluor Daniel has extensive experience. Most recently, projects have focused on recycling and other environmentally driven issues. Additionally, opportunities outside the U.S. have remained active, including work on projects for U.S. clients expanding their international operations.



Growing use of aluminum cans has resulted in significant opportunities for the Metals business unit. Fluor Daniel is working on several projects, including recycling facilities in North America and the United Kingdom, through our alliance agreement with Alcan. A significant new award was received for a major expansion of an aluminum rolling mill in Kentucky for Logan Aluminum, which is partially owned by Alcan. To enhance our capabilities and participation in the growing upstream aluminum market, Fluor Daniel has established an exclusive worldwide agreement with SNC, a Montreal-based engineering and construction firm with expertise in state-of-the-art facilities for the aluminum industry.

In a highly accelerated schedule, Fluor Daniel's Industrial Sector provided engineering and construction management services to rebuild Procter & Gamble's citrus juice plant which was damaged in an explosion in Worms, Germany.

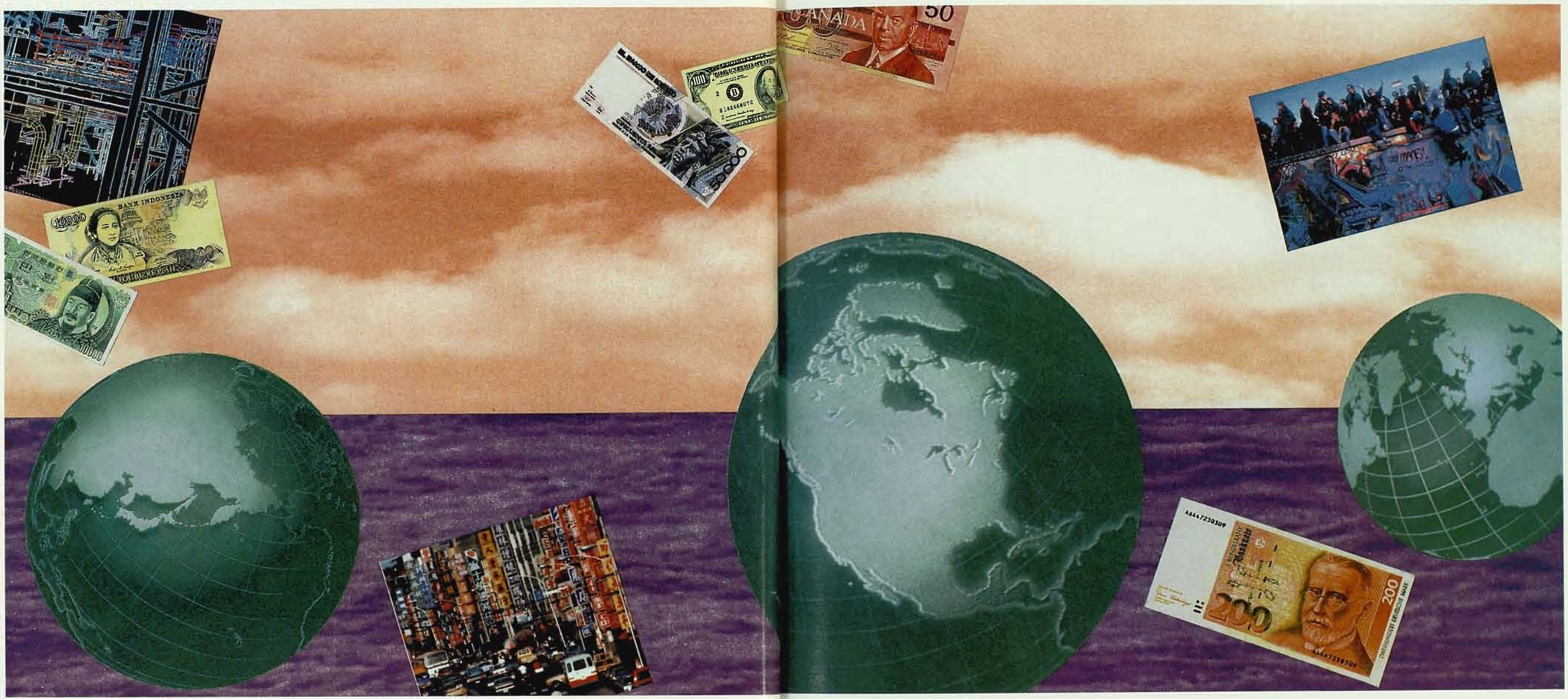
The Foods, Beverages and Consumer Products business unit experienced a record year, due largely to growing client alliances. Significant gains were made in expanding the geographic diversity of new projects as we broaden our international experience and capabilities, particularly throughout Europe and Canada.

The Commercial business unit employs a strategy of targeting selective opportunities across a broad market. Fluor Daniel is primarily focused on domestic public sector clients for institutional buildings, including correctional and health care facilities. New awards included the first phase of a master planned project for Collin County, Texas for a courthouse, administrative offices and correctional facilities; and a new convention center in Charlotte, North Carolina. While the commercial market for private sector clients is slowing, Fluor Daniel is positioned to serve corporate clients in the strong build-to-suit niche market.

Market share gains were achieved by the Automotive and Electronics business unit, as its capabilities were extended within Fluor Daniel's global network of offices. Effects of a softening U.S. automotive market were offset by project awards in Canada, Europe and China. The award in Canada from Ford is for a large, automated paint facility at their Oakville, Ontario assembly plant. Fluor Daniel, in a joint venture with ABB Flakt Alpha, will provide engineering, procurement, construction and project management. The electronics industry is showing signs of a new expansion phase. Recent awards included the design of a major cleanroom facility in the U.S. and a large silicon wafer facility in Korea.

## Process Sector

Dramatic growth over the past three years for the Process Sector moderated during the latter half of 1990. Consequently, new awards declined slightly to $1.8 billion from $2 billion in 1989. Backlog continued to grow, however, up 13 percent to $2.3 billion, now representing 24 percent of our total.




A new pattern of economic competition is developing for the 1990s. Traditional trading blocs are being redefined in North America, Pan Europe and Asia/Pacific in the interest of faster economic growth, higher living standards and new competitive challenges. Adding to this trend are geopolitical shifts and changing trade barriers. This process of geographic market redefinition creates new markets and enhances old ones, stimulating fresh capital investment opportunities. Companies with global engineering and construction experience such as Fluor Daniel are in an excellent position to benefit throughout the 90s.

The Process Sector provides services to a global market through its four business units: Biotechnology, Pharmaceuticals and Fine Chemicals; Plastics; Chemicals, Textiles and Fibers; and the Delta Division which performs work for Du Pont through our alliance.

Developing economies and their desire for higher living standards are combining with technology to create continuing growth in demand for pharmaceutical and biotechnology products. Fluor Daniel, a leader in these steadily growing markets, continues to capture market share through an expanding client base.

Fluor Daniel's Process Sector designed and built a new biotech manufacturing facility which had stringent requirements for sterile clean rooms and preparation areas for Molecular Biosystems in San Diego, California.

To support several major pharmaceutical companies located in the mid-Atlantic and northeast U.S., our Philadelphia area office has increased its staff. As an extension of our Delta Division, we are executing our first pharmaceutical project for Du Pont out of the Philadelphia office. Europe, which has a large mature pharmaceutical industry with aging facilities, is also an active market for Fluor Daniel's services.

Higher oil-based feedstock prices, a slowing economy, and reduced utilization rates due to significant new capacity coming onstream, have resulted in a softening of the market for chemicals and plastics. Industry consolidation and mergers over the past few years have shaped a market of fewer, larger, globally oriented companies. As a result, long-term strategic plans to upgrade and geographically diversify their production capacity continue to develop, despite near-term excess capacity. Significant grass roots projects to satisfy growing consumer demand, particularly in the dynamic Asia/Pacific market, are anticipated as the recent wave of new capacity is absorbed into the marketplace. Major factors driving capital spending of chemical and plastics producers in the 1990s are environmental remediation and clean-up issues where Fluor Daniel has unique strengths.

Fluor Daniel's Process Sector is constructing one of the largest air separation plants ever built for the Linde Division of Union Carbide Industrial Gases in Taft, Louisiana to supply oxygen to an adjacent Union Carbide facility.

Following several years of continuous growth, the Delta Division, which provides services to Du Pont through our alliance, reached a plateau in its current staffing requirements. Since its inception in 1986, the division has completed over 75 projects totaling over $1 billion in the U.S. and is currently active in seven countries.

During 1990, successful start-up was completed for Delta Division's newest office situated within Fluor Daniel's Houston, Texas facility to serve Du Pont's Gulf Coast plants. Houston joins Greenville, South Carolina; Kingston, Ontario; Haarlem, The Netherlands; and Camberley, England as Delta Division operations offices. Work is in the early stages for a new Du Pont facility in Spain.



## Power Sector

Steady gains in market share were achieved by the Power Sector in 1990. New awards improved 67 percent to $900 million. Backlog grew to $817 million, representing 8 percent of our total. Despite the current lackluster environment for new power plant construction in the U.S., significant growth is anticipated over this decade.

Our strategy is to stay positioned with a broad client base by providing a full range of services to electric utilities, independent power producers, cogenerators and industrial clients. Specific expertise is focused on services for the three main fuel sources—gas, coal and nuclear—which together represent over 80 percent of the domestic power market. Fluor Daniel services are provided through the Power Sector's three business units: Power Services; Gas Turbines; and Duke/Fluor Daniel.

A maintenance agreement for TU Electric has been expanded to include services at their Comanche Peak Unit 1 nuclear facility. Fluor Daniel's Power Sector has been providing services to TU Electric since 1982.

Despite aging plants and shrinking electricity generating reserve margins in several areas of the U.S., utilities are continuing to defer construction of new baseload power plants. Instead, projects have centered primarily on plant life extensions, modifications, maintenance and environmental concerns. These types of projects are performed by the Power Services business unit. Significant awards in 1990 included a three-year alliance agreement with Louisiana Power & Light, one of four utilities owned by Entergy Corporation and expansion of an on-going maintenance and modification agreement with TU Electric to provide services at their Comanche Peak nuclear facility in Texas. Additionally, through a recent award from Dayton Power & Light, Fluor Daniel has broadened its participation in the power market to include services for transmission and distribution systems.

The Gas Turbines unit provides services for gas-fired electric generating facilities. The need for additional peak electrical generating capacity, combined with the relatively low capital cost, generally shorter construction schedule and clean burning environmental aspects, have kept the market for new gas-fired plants active. Clients for these projects are generally industrial plant owners or developers, including unregulated subsidiaries of utilities. As the market leader for engineering and construction of gas-fired plants, Fluor Daniel's size, technical expertise, and financial strength provide the necessary credibility for development projects. A significant Fluor Daniel award was the contract for a 663-megawatt power plant in Virginia which will be the largest independent power producer in the U.S.

During 1990, Fluor Daniel substantially completed the large gas-fired Midland Cogeneration project, successfully achieving aggressive cost and schedule objectives. The project for Midland Cogeneration Venture included partial conversion of an incomplete nuclear plant in Midland, Michigan.

Basic economic growth and increased electric power consumption are directly linked. Over the past ten years, however, while economic activity/power consumption in the U.S. has been growing, new electrical generating capacity has remained at a virtual standstill. Consequently, many geographic areas in the U.S. are now approaching the prospect of power shortages. As a result, a dramatic pick-up in the construction of new power generating facilities is expected over this decade. Construction of gas-fired facilities has, in fact, already begun, with larger coal-fired plants anticipated. Eventually, nuclear power may play a key role given the environmental benefits.

A key element driving capital investment in the process and industrial sectors is the aging of facilities causing production inefficiencies and environmental/safety hazards, including fires and explosions. Fluor Daniel, a leader in all sectors of the power industry, as well as process and industrial fields, should benefit significantly as these markets develop.

Duke/Fluor Daniel, our joint venture company with Duke Power to provide services for coal-fired facilities, completed its first full year of operation. The combination of Duke's outstanding design and operating capabilities and Fluor Daniel's engineering and construction expertise rapidly established a strong position in the coal-fired market.

Duke/Fluor Daniel is performing engineering, procurement, construction management and startup to convert an industrial power plant in Solvay, New York, to an 80 MW coal-fired cogeneration facility for Salt City Energy Venture.

Significant client relationships have been developed and work is proceeding on a number of projects, including the cost study for the design and construction of a new 350-megawatt coal-fired generating plant. Additionally, passage of the 1990 Clean Air Act Amendments should stimulate activity by utilities as they add scrubbers to their plants or make other modifications to meet the new regulations.

## Fluor Constructors International

Fluor Constructors International, Inc. (FCII) provides construction services for projects worldwide, and performs union direct hire work in North America. FCII's union construction and maintenance capabilities make Fluor the largest double-breasted company in the U.S.

Construction management was provided by Fluor Constructors for San Diego's spectacular new convention center.

FCII is aligned to provide global support to all five Fluor Daniel business sectors. With the company's enhanced outlook for international prospects, FCII is positioned to make a significant contribution to Fluor's future.

## Natural Resource Investments

### Coal

A.T. Massey, Fluor's investment in coal, produces high-quality, low-sulfur steam coal for the electric generating industry and metallurgical coal for the steel industry. Ranked among the 10 largest U.S. coal companies, Massey also markets coal for independent producers.

Operating profits for Massey advanced strongly in 1990, up 18 percent over the prior year. Their strategy is to focus on providing low-sulfur coal to major utility and corporate customers. Massey's commitment to long-term customer relationships is based on providing superior service and quality products through state-of-the-art coal preparation facilities and continuous quality control procedures. Massey continues to upgrade or add to its base of high-quality coal reserves as opportunities are identified.



The passage of the 1990 Clean Air Act Amendments establishes an environment favorable to increased use of low-sulfur coal. Utilities have freedom of choice to decide how best to meet new air quality regulations. In many cases, the least expensive alternative is to switch from burning high-sulfur coal to cleaner low-sulfur coal. Increased demand for low-sulfur coal will create an assured market for Massey and should enhance the value of Fluor's investment. Near term, however, Massey has been emphasizing greater productivity to offset increased operating costs due to higher fuel prices.

### Lead

During 1990, the company increased its ownership to 100 percent of The Doe Run Company, its lead investment. Fluor's full ownership enhanced Doe Run's investment value and increases our strategic options.

Operating profits for Doe Run declined in 1990, primarily due to reduced by-product credits which were exceptionally strong in 1989. Although lead prices were strong through most of 1990, they began to soften at year end.

Doe Run is the largest fully integrated lead producer in North America, with approximately 60 percent of the total U.S. primary lead market. Approximately 70 percent of new or primary lead produced each year is used in the manufacture of automobile batteries.

Additionally, a new facility is being added to the Buick smelter which will recycle automobile batteries and other scrap lead. A new technology, not previously used in the U.S., will be employed which reduces waste production by two-thirds. The facility will have the capacity to produce 60,000 tons per year of secondary or recycled lead. Antimonial lead, which is produced from secondary processing, is also required to manufacture batteries. The capability to provide antimonial lead will open several new markets for Doe Run.

Fluor Daniel's Industrial Sector is providing total responsibility services to upgrade Doe Run's Buick smelter in Boss, Missouri to a state-of-the-art battery reclamation facility capable of producing 60,000 tons of lead per year.

The addition of lead recycling will make Doe Run the only significant U.S. supplier of both primary and secondary lead products. As a result, Doe Run will be a single source for a complete line of lead products offering customers competitive advantages like volume pricing and reduced shipping costs. The recycling facility is expected to be fully operational by mid-1991.

Doe Run management has set employee safety, environmental responsibility and improved community relations as a continuing priority. Significant progress to improve air quality through plant renovations has been made with further investment planned. This past year, Doe Run also set new safety records ranking among the safest mining operations in the U.S.

# Operating Statistics



| $ in thousands/Year ended October 31, | 1990 | 1989 | 1988 | 1987 | 1986 |
|---|---|---|---|---|---|
| **Engineering and Construction** | | | | | |
| Work Performed | $6,352,832 | $5,240,827 | $4,267,892 | $3,370,957 | $3,817,200 |
| Revenues | 6,383,059 | 5,311,653 | 4,225,212 | 3,251,304 | 3,727,764 |
| Operating Profit (Loss) | 135,124 | 117,439 | 50,819 | (49,473) | (71,152) |
| New Awards | 7,632,300 | 7,135,300 | 5,955,200 | 4,059,700 | 2,992,200 |
| Backlog | $9,557,800 | $8,360,900 | $6,658,600 | $4,667,300 | $4,291,400 |
| Permanent Employees | 19,829 | 17,519 | 15,576 | 11,993 | 12,068 |

| $ in millions | $ 1990 | % | $ 1989 | % | $ 1988 | % | $ 1987 | % | $ 1986 | % |
|---|---|---|---|---|---|---|---|---|---|---|
| **Backlog by Sector and Location** | | | | | | | | | | |
| Hydrocarbon | 2,922 | 31 | 1,951 | 23 | 1,932 | 29 | 940 | 20 | 690 | 16 |
| Government | 1,168 | 12 | 780 | 9 | 409 | 6 | 303 | 6 | 94 | 2 |
| Industrial | 2,354 | 25 | 2,935 | 35 | 2,338 | 35 | 1,661 | 36 | 1,865 | 44 |
| Process | 2,297 | 24 | 2,038 | 25 | 1,224 | 19 | 836 | 18 | 610 | 14 |
| Power | 817 | 8 | 657 | 8 | 756 | 11 | 927 | 20 | 1,032 | 24 |
| Total Backlog | 9,558 | 100 | 8,361 | 100 | 6,659 | 100 | 4,667 | 100 | 4,291 | 100 |
| United States | 6,724 | 70 | 6,404 | 77 | 5,298 | 80 | 4,039 | 87 | 3,587 | 84 |
| Outside U.S. | 2,834 | 30 | 1,957 | 23 | 1,361 | 20 | 628 | 13 | 704 | 16 |
| Total Backlog | 9,558 | 100 | 8,361 | 100 | 6,659 | 100 | 4,667 | 100 | 4,291 | 100 |

| $ in thousands/in thousands of short tons<br>Year ended October 31, | 1990 | 1989 | 1988 | 1987 | 1986 |
|---|---|---|---|---|---|
| **Coal*** | | | | | |
| Revenues | $865,809 | $815,558 | $783,719 | $580,123 | $516,943 |
| Operating Profit | $ 60,241 | $ 51,007 | $ 50,375 | $ 28,326 | $ 49,310 |
| Permanent Employees | 1,214 | 1,435 | 1,232 | 1,372 | 3,307 |
| Steam Coal Produced | 13,151 | 12,303 | 11,078 | 9,258 | 9,342 |
| Metallurgical Coal Produced | 5,569 | 4,191 | 3,980 | 2,825 | 2,175 |
| Produced Coal Sold | 18,596 | 16,582 | 15,025 | 12,531 | 11,620 |
| Purchased Coal Sold | 7,989 | 9,300 | 10,038 | 5,306 | 2,522 |

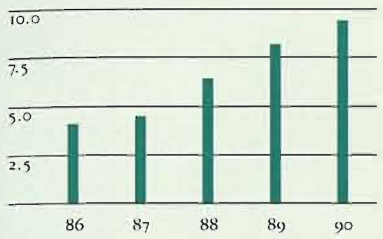
*Amounts through June 1987 represent 50% of Massey's operations, except the number of employees which is 100%. Commencing July 1987, amounts include 100% of the operations of Massey after reflecting partitioning of a partnership.

| $ in thousands/in short tons<br>Year ended October 31, | 1990 | 1989 | 1988 | 1987 | 1986 |
|---|---|---|---|---|---|
| **Lead*** | | | | | |
| Revenues | $197,412 | $150,396 | $123,526 | $ 93,053 | $ 96,993 |
| Operating Profit (Loss) | $ 36,112 | $ 38,895 | $ 29,022 | $ (5,511) | $(26,640) |
| Permanent Employees | 1,145 | 1,105 | 1,068 | 986 | 855 |
| Lead Content of Concentrates Produced | 188,009 | 144,205 | 139,809 | 123,888 | 186,975 |
| Lead Metal Sold | 201,330 | 155,433 | 146,879 | 130,753 | 193,849 |

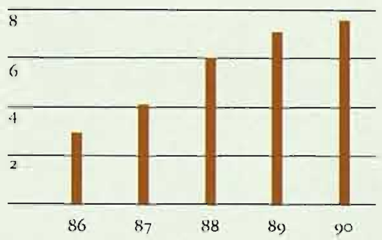
*Amounts for 1986 represent 100% of domestic lead operations. Amounts from 1987 through May 24, 1990 represent Fluor's 57.5% interest in the operations of The Doe Run Company (Doe Run) except the number of employees which is 100%. Commencing May 25, 1990, amounts include 100% of the operations of Doe Run reflecting Fluor's acquisition of the remaining 42.5% ownership interest.



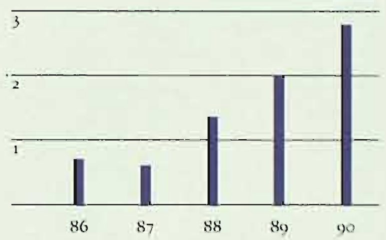
**Backlog**
dollars in billions



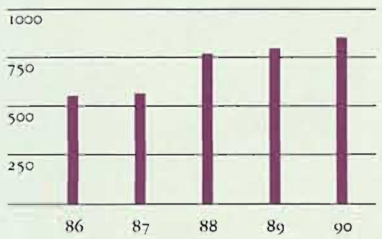

**New Awards**
dollars in billions



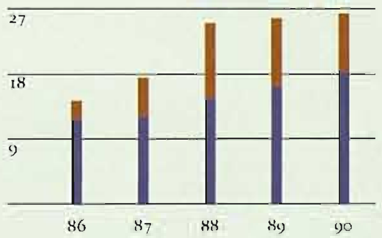

**International Backlog**
dollars in billions




**Coal Revenues***
dollars in millions




**Total Coal Sold***
millions of short tons

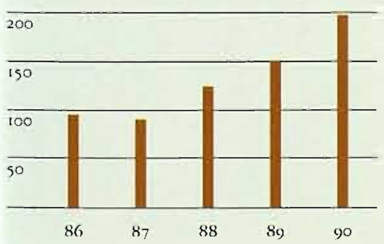



■ Purchased
■ Produced

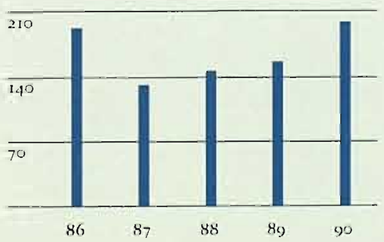
**Backlog by Business Sector—1990**

■ Hydrocarbon 31%
■ Government 12%
■ Industrial 25%
■ Process 24%
■ Power 8%

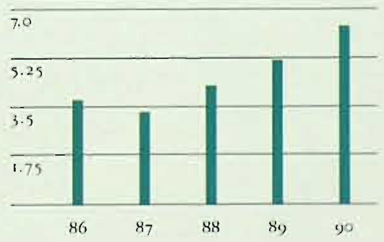
**Lead Revenues***
dollars in millions




**Lead Metal Sold***
thousands of short tons




**Work Performed**
dollars in billions

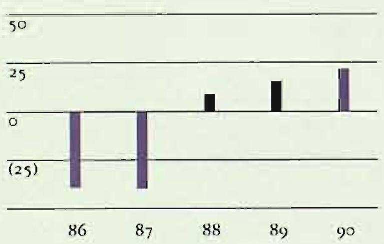



*Amounts reflect Fluor's proportionate share for all periods.

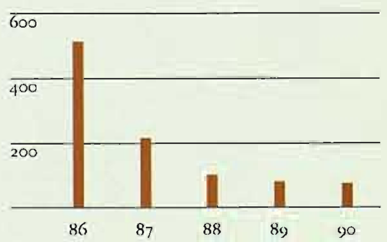
Contents



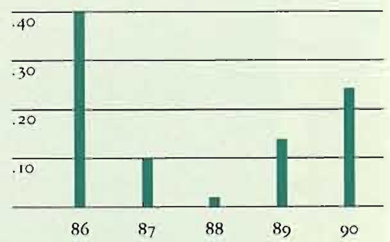
Net Interest Income (Expense)
dollars in millions




Long-Term Debt
dollars in millions




Dividends per Share
dollars








## Results of Operations

Earnings from continuing operations were $139 million in 1990 compared with $108 million in 1989 and $56 million in 1988. The related earnings per share were $1.71 for 1990 compared with $1.35 in 1989 and $.71 in 1988. Revenues from continuing operations increased 19 percent in 1990 following a 22 percent increase in 1989.

## Engineering and Construction

During 1990 the engineering and construction industry continued to experience a worldwide increase in demand for its services but significant political and economic events during the year could have both benefits and drawbacks to this favorable trend. The unpredictability of events in the Middle East and their impact on world economies have contributed to uncertainty and may have temporarily shifted focus and resources from other developing areas of the world. The company, however, continues to emphasize development of a diversified engineering and construction strategy to be able to respond to the worldwide broad-based demands for technical services. New contract awards for the Engineering and Construction segment increased 7 percent to $7.6 billion in 1990 compared with $7.1 billion in 1989 and $6.0 billion in 1988. During 1990, new awards and backlog in the Hydrocarbon Sector increased 50 percent over 1989. These increases contrast with essentially no change in backlog and a slight decrease in new awards in 1989 compared with 1988. New awards in the Industrial Sector slowed in 1990 compared with the high levels experienced in 1989 and 1988. New awards and backlog in the Government sector have increased substantially in the last two years compared with the levels achieved in 1988. The percentage of total backlog in the Process and Power Sectors has remained relatively stable in 1990 compared with 1989 and 1988 levels. The changes in backlog reflect trends in demand for engineering and construction activities as recent events, as well as long-term conditions, impact the world economy.

Engineering and Construction had operating profits of $135 million in 1990 compared with $117 million in 1989 and $51 million in 1988. The improvement in operating results in 1990 is primarily due to increased volume and higher margins on work performed. In 1989, earnings were favorably impacted by a $43 million cash settlement of an outstanding claim from the National Iranian Oil Company. The impact of the settlement was partially offset by certain growth-related costs and a one-time charge for costs associated with a previously established performance incentive plan. Operating profit in 1990 was impacted by a one-time charge of $6 million in connection with an adjustment to the amortization period for goodwill associated with the 1988 acquisition of an asbestos abatement business. The $21 million balance of this goodwill will be fully amortized over the next three years. During 1990, Fluor Daniel purchased Williams Brothers Engineering Company for approximately $8 million. Williams Brothers, based in Tulsa, Oklahoma, is a world-recognized leader in engineering of pipelines and production facilities. During 1988, Fluor Daniel acquired Wright Engineers, Ltd. of Vancouver, Canada for approximately $5 million.

Improved results in 1990 also reflect realization of increased margins on new awards that include more full-service contracts, providing engineering, procurement, technical services and maintenance as well as project and construction management. New awards in 1990 also contained an increased percentage of international work which now represents 30 percent of total backlog compared with 23 percent in 1989 and 20 percent in 1988. Approximately 60 percent of the year-end backlog is expected to be performed in fiscal 1991; essentially unchanged from the level of 1989 year-end backlog performed in 1990 and lower than the 68 percent of 1988 backlog performed in 1989. The 1990 increase of 13 percent (12 percent in 1989 and 30 percent in 1988) in the number of permanent employees results primarily from the increased volume of work performed.

## Coal

Revenues and operating profit from Coal operations in 1990 were $866 million and $60 million, respectively, compared with revenues of $816 million and operating profit of $51 million in 1989. Revenues and operating profit in 1988 were $784 million and $50 million, respectively. In 1990, coal operations improved significantly compared with 1989 and 1988 primarily due to higher realized prices and increased sales volume of produced coal which more than offset higher costs and lower contribution from brokered coal sales due to lower volume. Coal operations for

1989 improved significantly compared with 1988 primarily due to lower production costs and higher sales volume of produced coal. In addition, 1989 was impacted by lower contribution from brokered coal sales, due to reduced volume, while realized prices on produced coal sold remained relatively unchanged compared with 1988. Coal operating results for 1988 included $7 million related to a favorable settlement with the United Mine Workers.

### Lead

Lead operations represent the company's interest in The Doe Run Company (Doe Run). The company increased its ownership in Doe Run from 57.5 percent to 100 percent in May 1990 for $125 million in cash. Prior to the increase in ownership the company proportionally consolidated its interest in Doe Run; subsequently, the results of Doe Run are fully consolidated.

Revenues and operating profit from Lead operations in 1990 were $197 million and $36 million, respectively, compared with revenues of $150 million and operating profit of $39 million in 1989. Revenues and operating profit in 1988 were $124 million and $29 million, respectively. Revenues increased in 1990 compared with 1989 due to higher volume, including the impact of the increase in ownership, and higher realized prices. Operating results in 1990 declined compared with 1989 as lower by-product credits (copper and zinc) and increased costs more than offset the benefit of higher realized prices and increased volume. Operations improved significantly in 1989 compared with 1988 primarily due to an increase in realized prices and lower operating costs. Operating costs in 1989 were reduced by exceptionally high by-product credits as realized prices and volumes for these commodities were up significantly over 1988.

### Other

In 1990 the company had net interest income of $22 million compared with $16 million in 1989 and $10 million in 1988. Increased net interest income is primarily due to higher cash balances available for investment and lower interest costs due to a decrease in average debt outstanding.

Corporate general and administrative expenses decreased in 1990 compared with 1989 as increased earnings from certain pension plan assets more than offset higher stock price driven compensation plan expense and general cost increases. Corporate general and administrative expenses increased in 1989 compared with 1988 due to higher stock price driven compensation plan expense and costs of certain finance, law, human resources and other general and administrative functions that were formerly included in Engineering and Construction.

Pretax earnings for 1990 were reduced by approximately $8 million related to certain international real estate expenses.

In 1990, net earnings included the reversal of $19 million of income tax liabilities as certain issues related to A. T. Massey Coal Company, Inc. were resolved. Excluding the 1990 favorable tax adjustment the effective federal income tax rate on results of continuing operations for 1990, 1989 and 1988 approximated the statutory rate. Implementation of Statement of Financial Accounting Standards No. 96—"Accounting for Income Taxes"—which is not required until fiscal 1993, would not have had a material impact on the company's 1990 results of operations or financial position.

### Discontinued Operations

During 1990 the company completed the sale of the Pea Ridge Iron Ore Company resulting in net cash proceeds of approximately $12 million and an after-tax gain of $8 million ($.10 per share). Pea Ridge was the last operating entity in the discontinued Metals segment.



### Financial Position and Liquidity

Working capital was $239 million at both October 31, 1990 and 1989 as cash provided by operations in 1990 equalled the amount used to fund the company's growth. During 1990, the company acquired the remaining 42.5 percent interest in Doe Run for $125 million in cash. Capital expenditures for 1990 were $156 million compared with $139 million in 1989 and $86 million in 1988. In 1990, capital expenditures included approximately $12 million related to coal reserve acquisitions and mine start-up at Massey Coal while 1989 included approximately $30 million for this purpose. During 1990, $18 million was spent on the secondary lead recovery facility at Doe Run. Capital expenditures included $14 million in 1990 and $17 million in 1989 for additional engineering office facilities primarily in Greenville, South Carolina. In addition, the engineering and construction segment made a significant investment of capital in 1990, 1989 and 1988 for additions to computer-aided design (CAD) electronic engineering equipment and other computer equipment. The investment in CAD and computer-related equipment is expected to continue in order to enhance productivity and satisfy workload demand.

In 1988, the company purchased a long-term bond portfolio totaling approximately $155 million. The cash flows from these bonds are scheduled to offset and match the cash flow obligation on the Sugar Land facility lease.

The long-term debt to capitalization ratio at October 31, 1990 was 6.3 percent compared with 8.0 percent and 13.6 percent at October 31, 1989 and 1988, respectively. The improved 1990 ratio primarily reflects the increase in shareholders' equity due to net earnings. At October 31, 1990, all long-term debt bears interest at fixed rates.

The company has on hand and access to sufficient sources of funds to meet its anticipated operating, expansion, and capital needs. Significant short and long-term lines of credit are maintained with banks which along with cash on hand and marketable securities provide adequate operating liquidity.

Quarterly cash dividends were resumed at $.02 per share in October, 1988, raised to $.04 per share in the second quarter of 1989, to $.06 per share in December 1989 and to $.08 per share in December 1990. The company's dividend guideline is to pay out approximately 20 percent of the previous year's earnings from continuing operations.

Although the company is affected by inflation, its Engineering and Construction operations are generally protected by the ability to recover cost increases through price escalation provisions in most contracts. Coal and Lead operations produce commodities which are internationally traded at prices established by factors outside the control of the company. However, commodity prices generally tend to reflect a close correlation to inflationary trends and the company's substantial coal and lead reserves provide a hedge against the adverse long-term effects of inflation.

## Selected Financial Data

| In millions, except per share amounts | 1990 | 1989 | 1988 | 1987 | 1986 |
|---|---|---|---|---|---|
| **Operating Results** | | | | | |
| Revenues from continuing operations | $7,446.3 | $6,227.6 | $5,132.5 | $3,924.5 | $4,341.7 |
| Earnings (loss) from continuing operations before income taxes | 189.9 | 174.7 | 90.9 | (126.1) | (55.0) |
| Earnings (loss) from continuing operations | 138.9 | 108.5 | 56.4 | (75.3) | (18.6) |
| Net earnings (loss) | 146.9 | 108.5 | 56.4 | 26.6 | (60.4) |
| Earnings (loss) per share | | | | | |
| Continuing operations | 1.71 | 1.35 | 0.71 | (0.95) | (0.23) |
| Net earnings (loss) | $ 1.81 | $ 1.35 | $ 0.71 | $ 0.33 | $ (0.76) |
| Return on average shareholders' equity | 18.6% | 16.5% | 10.0% | 3.3% | (6.0)% |
| Cash dividends per common share | $ 0.24 | $ 0.14 | $ 0.02 | $ 0.10 | $ 0.40 |
| **Financial Position** | | | | | |
| Current assets | $1,222.8 | $1,036.4 | $1,001.0 | $1,213.5 | $ 922.1 |
| Current liabilities | 984.0 | 797.7 | 786.1 | 698.0 | 656.8 |
| Working capital | 238.8 | 238.7 | 214.9 | 515.5 | 265.3 |
| Bond portfolio | 150.1 | 151.6 | 154.8 | 4.0 | — |
| Property, plant and equipment, net | 925.3 | 775.3 | 729.8 | 735.2 | 1,301.8 |
| Total assets | 2,475.8 | 2,154.3 | 2,075.7 | 2,061.2 | 2,565.4 |
| Capitalization | | | | | |
| Long-term debt | 57.6 | 62.5 | 95.0 | 217.8 | 511.5 |
| Shareholders' equity | 864.0 | 720.4 | 601.7 | 531.7 | 950.2 |
| Total capitalization | $ 921.6 | $ 782.9 | $ 696.7 | $ 749.5 | $1,461.7 |
| Percent of total capitalization | | | | | |
| Long-term debt | 6.3 | 8.0 | 13.6 | 29.1 | 35.0 |
| Shareholders' equity | 93.7 | 92.0 | 86.4 | 70.9 | 65.0 |
| Shareholders' equity per common share | $ 10.75 | $ 9.03 | $ 7.61 | $ 6.74 | $ 11.99 |
| Common shares outstanding at October 31 | 80.4 | 79.8 | 79.1 | 78.9 | 79.3 |
| **Other Data** | | | | | |
| New awards | $7,632.3 | $7,135.3 | $5,955.2 | $4,059.7 | $2,992.2 |
| Backlog at year-end | 9,557.8 | 8,360.9 | 6,658.6 | 4,667.3 | 4,291.4 |
| Capital expenditures | 155.7 | 139.2 | 86.3 | 99.8 | 91.6 |
| Cash provided (utilized) by operating activities | $ 353.1 | $ 265.1 | $ 17.7 | $ 57.3 | $ (224.2) |
| Permanent employees | 22,188 | 20,059 | 17,876 | 14,351 | 22,309 |

See Management's Discussion and Analysis on pages 25 to 27, Consolidated Statement of Earnings on page 29 and Notes to Consolidated Financial Statements and Quarterly Financial Data for information relating to significant items affecting the results of operations.

At October 31, 1987, a quasi-reorganization was effected which resulted in a net reduction in shareholders' equity of $438 million.

Dividends were resumed in the fourth quarter of 1988 following a suspension which began in the second quarter of 1987. The quarterly dividend was increased from $.02 per share to $.04 per share in the second quarter of 1989, to $.06 per share in the first quarter of 1990 and to $.08 per share in the first quarter of 1991.





## Consolidated Statement of Earnings

| In thousands, except per share amounts/Year ended October 31, | 1990 | 1989 | 1988 |
|---|---|---|---|
| **Revenues** | | | |
| Engineering and construction services | $6,383,059 | $5,311,653 | $4,225,212 |
| Natural resources | 1,063,221 | 965,954 | 907,245 |
| Total revenues | 7,446,280 | 6,277,607 | 5,132,457 |
| **Cost of Revenues** | | | |
| Engineering and construction services | 6,260,265 | 5,190,343 | 4,190,720 |
| Natural resources | 966,868 | 876,052 | 827,848 |
| Total cost of revenues | 7,227,133 | 6,066,395 | 5,018,568 |
| **Other Income and Expense** | | | |
| Corporate administrative and general expense | 51,274 | 52,660 | 32,795 |
| Interest expense | 15,068 | 20,239 | 27,259 |
| Interest income | (37,076) | (36,371) | (37,060) |
| Total cost and expenses | 7,256,399 | 6,102,923 | 5,041,562 |
| **Earnings From Continuing Operations Before Taxes** | 189,881 | 174,684 | 90,895 |
| **Income Tax Expense** | (51,000) | (66,200) | (34,500) |
| **Earnings From Continuing Operations** | 138,881 | 108,484 | 56,395 |
| **Discontinued Operations, Net** | 8,005 | — | — |
| **Net Earnings** | $ 146,886 | $ 108,484 | $ 56,395 |
| **Earnings Per Share** | | | |
| Continuing operations | $ 1.71 | $ 1.35 | $ .71 |
| Discontinued operations | .10 | — | — |
| **Net Earnings Per Share** | $ 1.81 | $ 1.35 | $ .71 |
| **Shares Used to Calculate Earnings Per Share** | 81,313 | 80,459 | 79,582 |

See Notes to Consolidated Financial Statements.

| $ in thousands/At October 31, | 1990 | 1989 |
|---|---|---|
| **Assets** | | |
| **Current Assets** | | |
| Cash and cash equivalents | $ 229,889 | $ 234,877 |
| Marketable securities | 41,341 | — |
| Accounts and notes receivable | 493,833 | 348,803 |
| Contract work in progress | 328,828 | 333,264 |
| Inventories | 91,882 | 67,604 |
| Other current assets | 37,029 | 51,893 |
| Total current assets | 1,222,802 | 1,036,441 |
| **Investment in Bond Portfolio** | 150,131 | 151,640 |
| **Property, Plant and Equipment** | | |
| Land | 66,101 | 62,931 |
| Buildings and improvements | 130,030 | 97,023 |
| Machinery and equipment | 472,770 | 346,080 |
| Mining properties and mineral rights | 485,407 | 415,017 |
| Construction in progress | 53,634 | 15,229 |
| | 1,207,942 | 936,280 |
| Less accumulated depreciation, depletion and amortization | 282,612 | 160,957 |
| Net property, plant and equipment | 925,330 | 775,323 |
| **Other Assets** | | |
| Investments and goodwill, net of accumulated amortization of $20,374 and $10,176, respectively | 81,520 | 96,590 |
| Other | 96,013 | 94,319 |
| Total other assets | 177,533 | 190,909 |
| | $2,475,796 | $2,154,313 |

| | 1990 | 1989 |
|---|---|---|
| **Liabilities and Shareholders' Equity** | | |
| **Current Liabilities** | | |
| Accounts payable | $ 385,992 | $ 322,262 |
| Advance billings on contracts | 271,144 | 119,450 |
| Accrued salaries, wages and benefit plan liabilities | 93,276 | 93,598 |
| Other accrued liabilities | 211,092 | 205,161 |
| Current portion of long-term debt | 246 | 35,645 |
| Income taxes currently payable | 22,230 | 21,605 |
| Total current liabilities | 983,980 | 797,721 |
| **Long-Term Debt Due After One Year** | 57,662 | 62,477 |
| **Noncurrent Liabilities** | | |
| Deferred income taxes | 104,640 | 88,530 |
| Accrued lease costs | 95,969 | 119,790 |
| Other | 369,580 | 365,432 |
| Total noncurrent liabilities | 570,189 | 573,752 |
| **Contingencies and Commitments** | | |
| **Shareholders' Equity** | | |
| Capital Stock | | |
| Preferred—authorized 20,000,000 shares without par value, none issued | | |
| Common—authorized 150,000,000 shares of $.625 par value; issued and outstanding in 1990—80,389,657 shares and in 1989—79,792,996 shares | 50,244 | 49,871 |
| Additional capital | 537,285 | 522,615 |
| Retained earnings (since October 31, 1987) | 279,831 | 152,172 |
| Unamortized executive stock plan expense | (6,805) | (4,439) |
| Cumulative translation adjustments | 3,410 | 144 |
| Total shareholders' equity | 863,965 | 720,363 |
| | $2,475,796 | $2,154,313 |

See Notes to Consolidated Financial Statements.

## Consolidated Statement of Cash Flows

| $ in thousands/Year ended October 31, | 1990 | 1989 | 1988 |
|---|---|---|---|
| **Cash Flows From Operating Activities** | | | |
| Net earnings | $ 146,886 | $ 108,484 | $ 56,395 |
| Depreciation, depletion and amortization | 109,775 | 87,398 | 76,000 |
| Deferred income taxes | 21,092 | (11,473) | (49,397) |
| Amortization of accrued lease costs and deferred gains | (26,116) | (31,013) | (37,009) |
| Change in operating working capital | 94,664 | 69,342 | (66,313) |
| Other, net | 6,841 | 42,386 | 38,073 |
| Cash provided by operating activities | 353,142 | 265,124 | 17,749 |
| **Cash Flows From Investing Activities** | | | |
| Capital expenditures | (144,057) | (108,675) | (81,878) |
| Coal reserve acquisitions and mine start-up | (11,629) | (30,499) | (4,381) |
| Proceeds from sale of property, plant and equipment | 6,066 | 11,675 | 8,960 |
| Acquisition of remaining 42.5% of Doe Run | (125,000) | — | — |
| Increase in marketable securities | (41,341) | — | — |
| Decrease (increase) in bond portfolio | 1,509 | 3,137 | (150,777) |
| Decrease (increase) in investments | 908 | (7,206) | (69,267) |
| Proceeds from sale of discontinued operations, net | 11,783 | — | 450,000 |
| Other, net | 2,765 | (3,115) | 3,949 |
| Cash provided (utilized) by investing activities | (298,996) | (134,683) | 156,606 |
| **Cash Flows From Financing Activities** | | | |
| Payments of long-term debt | (44,953) | (62,382) | (81,537) |
| Cash dividends paid | (19,227) | (11,126) | (1,581) |
| Other, net | 5,046 | 13,364 | (1,299) |
| Cash utilized by financing activities | (59,134) | (60,144) | (84,417) |
| Increase (decrease) in cash and cash equivalents | (4,988) | 70,297 | 89,938 |
| Cash and cash equivalents at beginning of year | 234,877 | 164,580 | 74,642 |
| Cash and cash equivalents at end of year | $ 229,889 | $ 234,877 | $ 164,580 |

See Notes to Consolidated Financial Statements.





## Consolidated Statement of Shareholders' Equity

| $ in thousands, except per share amounts<br>Year ended October 31, 1988, 1989 and 1990 | Common Stock | Additional Capital | Retained Earnings | Unamortized Executive Stock Plan Expense | Cumulative Translation Adjustments | Total |
|---|---|---|---|---|---|---|
| **Balances at October 31, 1987** | $49,337 | $487,435 | $ — | $(4,367) | $ (662) | $531,743 |
| Net earnings | | | 56,395 | | | 56,395 |
| Cash dividends ($.02 per share) | | | (1,581) | | | (1,581) |
| Exercise of stock options, net | 180 | 3,771 | | | | 3,951 |
| Amortization of executive stock plan expense | | | | 326 | | 326 |
| Repurchase of restricted stock, net | (29) | (955) | | 924 | | (60) |
| Repurchase of common stock | (81) | (1,581) | | | | (1,662) |
| Tax benefit of net operating loss | | 9,237 | | | | 9,237 |
| Translation adjustment | | | | | 3,398 | 3,398 |
| **Balances at October 31, 1988** | 49,407 | 497,907 | 54,814 | (3,117) | 2,736 | 601,747 |
| Net earnings | | | 108,484 | | | 108,484 |
| Cash dividends ($.14 per share) | | | (11,126) | | | (11,126) |
| Exercise of stock options, net | 371 | 7,896 | | | | 8,267 |
| Amortization of executive stock plan expense | | | | 3,407 | | 3,407 |
| Issuance of restricted stock, net | 93 | 4,568 | | (4,729) | | (68) |
| Tax benefit of net operating loss | | 12,244 | | | | 12,244 |
| Translation adjustment | | | | | (2,592) | (2,592) |
| **Balances at October 31, 1989** | 49,871 | 522,615 | 152,172 | (4,439) | 144 | 720,363 |
| Net earnings | | | 146,886 | | | 146,886 |
| Cash dividends ($.24 per share) | | | (19,227) | | | (19,227) |
| Exercise of stock options, net | 299 | 7,452 | | | | 7,751 |
| Amortization of executive stock plan expense | | | | 2,070 | | 2,070 |
| Issuance of restricted stock, net | 74 | 4,318 | | (4,436) | | (44) |
| Tax benefit of net operating loss | | 2,900 | | | | 2,900 |
| Translation adjustment | | | | | 3,266 | 3,266 |
| **Balances at October 31, 1990** | $50,244 | $537,285 | $279,831 | $(6,805) | $ 3,410 | $863,965 |

See Notes to Consolidated Financial Statements.

## Major Accounting Policies

*Principles of Consolidation*
The financial statements include the accounts of the company and its subsidiaries. The equity method of accounting is used for investment ownership ranging from 20 percent to 50 percent. Investment ownership of less than 20 percent is accounted for on the cost method. The company does not consolidate entities for which control is deemed temporary. The company proportionally consolidated its 57.5 percent interest in The Doe Run Company partnership (Doe Run) prior to the May 24, 1990 purchase of the minority ownership; subsequently, Doe Run's operations have been fully consolidated. All significant intercompany transactions of consolidated subsidiaries are eliminated. Certain 1989 and 1988 amounts have been reclassified to conform with the 1990 presentation.

*Engineering and Construction Contracts*
The company recognizes engineering and construction contract revenues using the percentage-of-completion method, primarily based on contract costs incurred to date compared with total estimated contract costs. Customer furnished items including materials, labor and equipment and in certain cases subcontractor materials, labor and equipment are included in revenue and cost of revenue when management believes that the company is responsible for acceptability of the project. Contracts are segmented between engineering and construction efforts and, accordingly, gross margin related to each activity is recognized as those separate services are rendered. Changes to total estimated contract costs or losses, if any, are recognized in the period they are determined. Revenues recognized in excess of amounts billed are classified as current assets under contract work in progress. It is anticipated that the incurred costs associated with contract work in progress at October 31, 1990, will be billed and collected in 1991. Amounts received from clients in excess of revenues recognized to date are classified as current liabilities under advance billings on contracts.

*Depreciation and Amortization*
Additions to property, plant and equipment are recorded at cost. Assets other than mining properties and mineral rights are depreciated principally using the straight-line method to amortize the cost of the assets over their estimated useful lives. Leasehold improvements are amortized over the lives of the respective leases. The excess of cost over net assets of acquired businesses is amortized, on the straight-line method, over periods not longer than 40 years.

*Exploration and Development*
Coal—Development costs of specific coal properties, when expected to be significant, are capitalized in mining properties and depleted over the expected economic life of the mine on the units of production method.

Lead—Costs incurred for exploration of minerals are generally expensed as incurred. Development expenditures to bring new mineral properties into production, comprising substantially all surface mine development and initial underground installations, are capitalized in mining properties and amortized using the straight-line method over periods approximating the economic life of the mine. Subsequent maintenance and underground development expenditures are generally expensed as incurred.

*Investment in Bond Portfolio*
The company's bond portfolio is carried at amortized cost which approximates market value. At October 31, 1990, the portfolio has a weighted average yield of nearly 11 percent with maturities ranging from December 1990 to 2004. Included in the portfolio are PNM Holding Company Notes (the Notes) amounting to $107.6 million at October 31, 1990 and $79.8 million at October 31, 1989, which represented 73 percent and 55 percent, respectively, of the outstanding amounts of the Notes. PNM Holding Company is the owner of the company's leased facilities in Sugar Land, Texas.



*Income Taxes*
Deferred income taxes are provided for items recognized in different periods for financial and tax reporting purposes. Such timing differences include the use of the completed-contract method of accounting for certain contracts, accelerated depreciation and various expenses and accruals.

*Earnings per share*
Earnings per share is based on the weighted average number of common and common equivalent shares outstanding in each period. Common equivalent shares include the dilution from the potential exercise of stock options when the effect is dilutive.

*Inventories*
Coal, metals and processed minerals inventories are stated at the lower of cost using the last-in, first-out (LIFO) method or net realizable value. Supplies and other are valued on the average cost method. Inventories comprise:

| $ in thousands/At October 31, | 1990 | 1989 |
|---|---|---|
| Coal, metals and processed minerals | $57,548 | $37,143 |
| Supplies and other | 34,334 | 30,461 |
| | $91,882 | $67,604 |

*Foreign Currency*
The effects of translating foreign subsidiaries' financial statements are recorded as a separate component of shareholders' equity. Changes in cumulative translation adjustments are as follows:

| $ in thousands/Year ended October 31, | 1990 | 1989 |
|---|---|---|
| Balance at beginning of year | $ 144 | $ 2,736 |
| Translation adjustments | 4,948 | (3,927) |
| Deferred income taxes | (1,682) | 1,335 |
| Balance at end of year | $ 3,410 | $ 144 |

The company enters into forward exchange contracts to hedge foreign currency transactions. It does not engage in currency speculation. The company's forward exchange contracts do not subject the company to risk from exchange rate movements because gains and losses on such contracts offset losses and gains, respectively, on the assets, liabilities or transactions being hedged. As of October 31, 1990, the company had $50 million of forward exchange contracts outstanding. The forward exchange contracts generally require the company to exchange foreign currencies for U.S. dollars at maturity, at rates agreed to at inception of the contracts.

*Concentrations of Credit Risk*
The company provides a variety of financing arrangements for its Engineering and Construction clients. The majority of accounts receivable and all contract work in process are from Engineering and Construction clients in various industries and locations throughout the world. Most contracts require payments as projects progress or in certain cases advance payments. The company generally does not require collateral but, in most cases can place liens against the property, plant or equipment constructed if a default takes place. Accounts receivable from customers of Lead and Coal operations are primarily concentrated in the automotive, steel and utility industries. The company maintains adequate reserves for potential credit losses and such losses, which have been minimal, have been within management's estimates.

## Consolidated Statement of Cash Flows

The company invests in short-term highly liquid securities with maturities of up to two years from the date of purchase. These investments are usually sold before their maturity. Securities with maturities of ninety days or less at the date of purchase are classified as cash equivalents. Securities with maturities beyond ninety days are classified as marketable securities and are carried at cost which approximates market. Due to the high dollar volume and turnover of these securities, the related cash flows are reported on a net basis.

Changes in operating working capital as shown in the Consolidated Statement of Cash Flows comprise:

| $ in thousands/Year ended October 31, | 1990 | 1989 | 1988 |
|---|---|---|---|
| Decrease (increase) in: | | | |
| Accounts and notes receivable | $(126,393) | $ 47,855 | $(43,012) |
| Contract work in progress | 4,436 | 4,083 | (83,605) |
| Inventories | (2,751) | (1,024) | (5,348) |
| Other current assets | 10,254 | (16,078) | (6,079) |
| Increase (decrease) in: | | | |
| Accounts payable | 59,826 | (35,799) | 41,810 |
| Advance billings on contracts | 151,694 | 698 | 31,451 |
| Accrued liabilities | (1,527) | 66,340 | (2,793) |
| Income taxes currently payable | (875) | 3,267 | 1,263 |
| | $ 94,664 | $ 69,342 | $(66,313) |
| Cash paid during the year for: | | | |
| Interest expense | $ 10,613 | $ 17,744 | $ 16,509 |
| Income tax payments, net | $ 50,221 | $ 46,038 | $ 52,014 |



## Acquisitions and Investments

In March 1988, the company made an investment, convertible into a controlling equity interest, in SOS International (SOS), a subcontractor in the asbestos abatement industry. During 1989, the company obtained the remaining ownership in SOS at a minimal additional cost and, accordingly, has fully consolidated the results of SOS for 1989 and 1990. The company's investment in SOS exceeded the net assets acquired by $37 million. Amortization of the excess commenced in 1988 and was accelerated in 1990 such that the remaining $21 million balance at October 31, 1990 will be amortized over the next three years.

In August 1988, the company purchased Wright Engineers Limited (Wright). The total purchase price, depending on future operating results, could approximate $5 million. Wright, based in Canada, is a world-recognized leader in the process and detailed design and construction management of gold, copper, uranium, complex sulfides and coal projects. In February 1990, the company purchased Tulsa, Oklahoma based Williams Brothers Engineering Company, a world-recognized leader in engineering of pipelines and production facilities, for approximately $8 million. The company's consolidated financial statements include the results of both acquisitions on a consolidated basis from their respective acquisition dates. Both acquisitions have been accounted for as purchases.

In May 1990, the company purchased Homestake Mining Company's 42.5 percent interest in Doe Run for $125 million in cash, which has been allocated to the assets acquired and liabilities assumed based on their respective fair market values at the date of acquisition. The purchase gives the company 100 percent ownership and, accordingly, Doe Run has been fully consolidated since the date of acquisition.

The following reflects the company's pro forma revenues and results of operations for the years ended October 31, 1990 and 1989, assuming that the 1990 acquisitions had been completed at the beginning of each period. Pro forma adjustments give effect to reduced interest income resulting from the use of cash to effect the acquisition, amortization of purchase price allocated to mining properties and mineral rights, and related income taxes. The pro forma information is not necessarily indicative of the actual results that would have been achieved had the acquisitions been consummated at the beginning of the respective periods, and is not necessarily indicative of future results.

| $ in thousands, except per share amounts/Year ended October 31, | 1990 | 1989 |
|---|---|---|
| Revenues | $7,509,279 | $6,388,769 |
| Earnings from continuing operations | 141,700 | 119,349 |
| Net earnings | 149,705 | 119,349 |
| Earnings per share: | | |
| Continuing operations | 1.74 | 1.49 |
| Net earnings | $ 1.84 | $ 1.49 |

*Discontinued Operations*

During 1990 the company completed the sale of Pea Ridge Iron Ore Company resulting in net cash proceeds of $11.8 million and an after-tax gain of $8 million. Pea Ridge was the last operating entity in the discontinued Metals segment.

## Income Taxes

The income tax benefit (expense) included in the Consolidated Statement of Earnings is as follows:

| $ in thousands/Year ended October 31, | 1990 | 1989 | 1988 |
|---|---|---|---|
| Current: | | | |
| Federal (includes a charge in lieu of taxes of $2,900, $11,267, and $7,319 for 1990, 1989 and 1988, respectively) | $(23,524) | $(58,820) | $(69,706) |
| Foreign (includes a charge in lieu of taxes of $977 and $1,918 for 1989 and 1988, respectively) | (18,392) | (7,976) | (8,430) |
| State and local | (10,831) | (10,877) | (5,761) |
| Total current | (52,747) | (77,673) | (83,897) |
| Tax liability reversal | 19,000 | — | — |
| Deferred: | | | |
| Federal | (19,625) | 12,017 | 52,961 |
| Foreign | (485) | (1,540) | (3,655) |
| State and local | (982) | 996 | 91 |
| Total deferred | (21,092) | 11,473 | 49,397 |
| Total income tax expense | $(54,839) | $(66,200) | $(34,500) |

Total income tax benefit (expense) applicable to continuing and discontinued operations is as follows:

| $ in thousands/Year ended October 31, | 1990 | 1989 | 1988 |
|---|---|---|---|
| Provision for continuing operations: | | | |
| Current | $(60,921) | $(77,673) | $ 67,007 |
| Tax liability reversal | 19,000 | — | — |
| Deferred | (9,079) | 11,473 | (101,507) |
| Total provision—continuing operations | (51,000) | (66,200) | (34,500) |
| Provision for discontinued operations: | | | |
| Current | 8,174 | — | (150,904) |
| Deferred | (12,013) | — | 150,904 |
| Total provision—discontinued operations | (3,839) | — | — |
| Total income tax expense | $(54,839) | $(66,200) | $ (34,500) |

A reconciliation of statutory federal income tax to the income tax benefit (expense) on the earnings from continuing operations follows:

| $ in thousands/Year ended October 31, | 1990 | 1989 | 1988 |
|---|---|---|---|
| Statutory federal income tax expense | $(64,560) | $(59,393) | $(30,904) |
| Reductions (increases) in taxes resulting from: | | | |
| Tax liability reversal | 19,000 | — | — |
| Depletion | 12,068 | 10,038 | 9,343 |
| State and local income taxes | (7,001) | (5,744) | (3,742) |
| Items without tax effect, net | (3,921) | (3,515) | (6,247) |
| Effect of foreign tax rates | (3,489) | (3,835) | (3,790) |
| Amortization of property, plant and equipment | (2,675) | (2,682) | (2,206) |
| Other, net | (422) | (1,069) | 3,046 |
| Income tax expense—continuing operations | $(51,000) | $(66,200) | $(34,500) |



The deferred income tax benefit (expense) applicable to timing differences from continuing operations is as follows:

| $ in thousands/Year ended October 31, | 1990 | 1989 | 1988 |
|---|---|---|---|
| Use of different methods of accounting for construction contracts | $ 3,125 | $ 8,037 | $ (6,538) |
| Increase in deferred tax credits | — | — | (51,565) |
| Deferred income | (8,006) | 7,782 | (317) |
| Expenses not currently deductible for tax purposes | (1,453) | (7,170) | (33,964) |
| Other, net | (2,745) | 2,824 | (9,123) |
| Total | $ (9,079) | $11,473 | $(101,507) |

United States and foreign earnings from continuing operations before income taxes are as follows:

| $ in thousands/Year ended October 31, | 1990 | 1989 | 1988 |
|---|---|---|---|
| United States | $145,756 | $ 96,785 | $63,843 |
| Foreign | 44,125 | 77,899 | 27,052 |
| Total | $189,881 | $174,684 | $90,895 |

Residual income taxes have not been provided on approximately $42 million of undistributed earnings of certain foreign subsidiaries at October 31, 1990 because the company intends to reinvest these earnings indefinitely.

The Internal Revenue Service has completed its examination of the company's federal income tax returns for fiscal years 1977 through 1983 and those of St. Joe Minerals Corporation (St. Joe), including A.T. Massey Coal Company, Inc., through 1981. In the course of the Internal Revenue Service Appeals office review of the St. Joe 1975 through 1981 consolidated Federal income tax returns, certain issues related to A. T. Massey Coal Company, Inc. were resolved. As a result, the related income tax liabilities, no longer deemed necessary, were reversed and reduced the company's income tax expense for 1990 by $19 million. The company is following the appropriate IRS appeals process in settling certain issues raised by the IRS related to other years. Management believes that the resolution of all outstanding tax issues will not have a material adverse effect on the company's consolidated financial position or results of operations.

In December 1987, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 96 "Accounting for Income Taxes." Management believes the implementation, which is not required until 1993, would not have had a material effect on the 1990 consolidated results of operations or financial position of the company.

## Retirement Benefits

The company sponsors defined contribution retirement and contributory and noncontributory defined benefit pension plans for eligible employees. Contributions to defined contribution retirement plans are based on a percentage of the employee's compensation. Expense recognized for these plans is primarily related to domestic Engineering and Construction operations and totaled $52 million in 1990, $47 million in 1989, and $42 million in 1988. Contributions to defined benefit pension plans are generally at the minimum annual amount required by applicable regulations. Payments to retired employees under these plans, which are primarily related to international Engineering and Construction and natural resource operations, are generally based upon length of service and a percentage of qualifying compensation. During 1990, the company adopted Statement of Financial Accounting Standards No. 87 "Employers' Accounting for Pensions" for its international defined benefit pension plans, resulting in a pretax benefit of approximately $5 million.

Net periodic pension expense (income) for continuing operations defined benefit pension plans includes the following components:

| $ in thousands/Year ended October 31, | 1990 | 1989 | 1988 |
|---|---|---|---|
| Service costs—benefits earned during the period | $ 9,561 | $ 3,236 | $ 3,156 |
| Interest cost on projected benefit obligation | 15,849 | 6,225 | 5,724 |
| Income and gains on assets invested | (8,062) | (16,168) | (8,653) |
| Net amortization and deferral | (23,575) | 5,807 | (30) |
| Net periodic pension expense (income) | $ (6,227) | $ (900) | $ 197 |

The following assumptions were used in the determination of net periodic cost:

| Year ended October 31, | 1990 | 1989 | 1988 |
|---|---|---|---|
| Discount rate | 9.0–10.5% | 9.0% | 8.0–9.0% |
| Rate of increase in compensation levels | 5.0–8.0% | 5.0–7.5% | 5.0–7.5% |
| Expected long-term rate of return on assets | 8.0–10.5% | 8.0–9.0% | 8.0–9.0% |

The following table sets forth the status of the defined benefit plans:

| $ in thousands/At October 31, | 1990 | 1989 |
|---|---|---|
| Actuarial present value of benefit obligations: | | |
| Vested benefit obligation | $146,623 | $ 49,396 |
| Nonvested benefit obligation | 5,708 | 6,987 |
| Accumulated benefit obligation | $152,331 | $ 56,383 |
| Plan assets at fair values (primarily listed stocks and bonds) | $301,308 | $157,799 |
| Projected benefit obligation | (208,123) | (75,228) |
| Plan assets in excess of projected benefit obligation | 93,185 | 82,571 |
| Unrecognized net gain | (4,834) | (36,925) |
| Unrecognized net asset at implementation | (33,165) | — |
| Pension asset recognized in the Consolidated Balance Sheet | $ 55,186 | $ 45,646 |

Excludes the projected benefit obligation and an equal amount of associated plan assets relating to present and former employees of discontinued operations of $103 million and $117 million at October 31, 1990 and 1989, respectively.

Massey Coal Company participates in multiemployer defined benefit pension plans for its union employees. Pension expense related to these plans approximated $1 million, $.6 million and $.4 million in the years ended October 31, 1990, 1989 and 1988, respectively.

The company and certain of its subsidiaries provide health care and life insurance benefits for certain retired employees. The cost of such benefits related to continuing operations approximated $5 million, $5 million and $4 million in 1990, 1989 and 1988, respectively, and is expensed when paid.

## Long-Term Debt

Long-term debt comprises:

| $ in thousands/At October 31, | 1990 | 1989 |
|---|---|---|
| Deutsche mark financing, with a currency exchange agreement fixing the repayments in U.S. dollars at an effective interest rate of 9.5%, due in 1996 | $23,644 | $28,578 |
| Swiss Franc financing, with a currency exchange agreement fixing the repayments in U.S. dollars at an effective interest rate of 9.3%, due in 1993 | 15,039 | 15,039 |
| Notes at an effective interest rate of 9.7%, due in 1993 | 12,888 | 14,305 |
| Eurodollar zero coupon debentures at an effective interest rate of 14%, due in 1990 (net of unamortized discount of $1,967) | — | 35,315 |
| Other notes and mortgages | 6,337 | 4,885 |
| | 57,908 | 98,122 |
| Less: Current portion | 246 | 35,645 |
| Long-term debt due after one year | $57,662 | $62,477 |

Maturities relating to long-term debt are as follows for the years ending: 1992, $.5 million; 1993, $28.8 million; 1994, $.7 million; 1995, $.7 million; and $27.0 million thereafter. All long-term debt (including current portion) outstanding at October 31, 1990 bears interest at fixed rates.

The company has unsecured committed revolving long-term lines of credit with banks from which it may borrow for general corporate purposes up to a maximum of $350 million, which can be converted to two-year term loans. Commitment fees are paid on unused portions of these lines. In addition, the company has $377 million in short-term lines of credit. Borrowings under lines of credit and revolving credit agreements bear interest at prime, rates based on the London Interbank Offered Rate (LIBOR), domestic certificates of deposit, or other rates which are mutually acceptable to the banks and the company. At October 31, 1990, no amounts were outstanding under any of these lines.

The company has several currency exchange agreements that fix repayments of certain foreign denominated obligations in U.S. dollars totaling $97 million of which $54 million relates to outstanding long-term debt and the balance relates to the lease of foreign real estate. The agreements cover required principal, interest or lease payments, as applicable, expire at various dates through the year 1999 and are used to mitigate the exposure to fluctuations in exchange rates between the currency in which the obligation is due and U.S. dollars. If the counterparties to the exchange agreements (AAA rated international banks) do not fulfill their obligations to deliver the contracted for foreign currencies, the company could be at risk for fluctuations, if any, in the amounts of U.S. dollars required to settle the obligations.

## Stock Plans

The company's executive stock plans approved by the shareholders provide for grants of nonqualified or incentive stock options, restricted stock awards and stock appreciation rights (SARs). All plans are administered by the Organization and Compensation Committee of the Board of Directors ("Committee"), no member of which is eligible to participate in the plans. Stock options may be granted with or without SARs. Grant prices are determined by the Committee and generally are established at the fair market value of the company's common stock at the date of grant. Options and SARs normally extend for 10 years and generally become exercisable in installments of 25 percent per year commencing one year from date of grant or over a vesting period determined by the Committee.

Restricted stock awards issued under the plans provide that shares awarded may not be sold or otherwise transferred until restrictions as established by the Committee have lapsed. Upon termination of employment shares upon which restrictions have not lapsed must be returned to the company. Restricted stock issued under the plans totaled 123,870 and 160,000 in 1990 and 1989, respectively.

Upon exercise of SARs the holder receives the excess of market value of the rights on exercise date over the market value of the rights on the grant date either in cash or stock of the company. Such market values are generally equal to the market value of the company's common stock. Changes in market value are accounted for currently as compensation expense.

The following table summarizes stock option and SAR activity for the two years ended October 31, 1990:

| | Stock Options | Price Per Share | SAR | Value Per Right |
|---|---|---|---|---|
| Outstanding at October 31, 1988 | 2,762,901 | $11–34 | 883,190 | $12–34 |
| Granted | 800,300 | 23–35 | 14,300 | 13–20 |
| Expired or cancelled | (72,648) | 12–26 | (34,584) | 12–34 |
| Exercised | (598,765) | 11–26 | (255,968) | 12–22 |
| Outstanding at October 31, 1989 | 2,891,788 | 12–35 | 606,938 | 12–22 |
| Granted | 432,070 | 34–42 | 304,354 | 35–36 |
| Expired or cancelled | (12,364) | 12–35 | (10,062) | 12–22 |
| Exercised | (488,881) | 12–35 | (146,416) | 12–22 |
| Outstanding at October 31, 1990 | 2,822,613 | $12–42 | 754,814 | $12–36 |
| Exercisable at: | | | | |
| October 31, 1989 | 970,067 | $12–26 | 249,239 | $12–22 |
| October 31, 1990 | 1,745,708 | $12–35 | 548,009 | $12–35 |
| Available for grant at: | | | | |
| October 31, 1989 | 2,167,386 | | 126,015 | |
| October 31, 1990 | 1,362,716* | | 74,119 | |

*Available for grant at October 31, 1990, includes 1,239,251 shares which may be granted as either stock options, SARs or restricted stock as determined by the Committee under the 1988 Fluor Executive Stock Plan.

The company adopted a preferred shares purchase rights plan and, pursuant thereto issued one preferred share purchase right ("Right") on each outstanding share of common stock. The Rights are exercisable only if a person or group acquires, or makes a tender offer for, 20 percent or more of the company's common stock. When exercisable, each Right entitles its holders to buy 1/100th share of a newly issued preferred stock at an exercise price of $40, subject to certain antidilution adjustments. The Board of Directors, at its option, may lower the exercisability threshold from 20 percent to as low as 10 percent so long as no person or group then owns more than the lowered amount and may, at any time after the Rights have become exercisable, but before there has been an acquisition of 50 percent or more of the company's common stock by any person or group, exchange each then valid Right for one new share of common stock.

Also, if at any time after the Rights become exercisable, the company is either involved in a merger or other business combination transaction, or 50 percent or more of its consolidated assets or earning power is sold, or a person or group acquires 20 percent or more of the company's stock, then each Right will entitle its holder to purchase either common or preferred stock of the company or the acquiring company having a market value of twice the exercise price of the Right.

The Rights, which do not have voting privileges, may be redeemed by the company at a price of $.02 per Right at any time prior to public announcement that a person or group has acquired beneficially 20 percent or more of the company's common shares. The Rights expire on November 30, 1997.

## Lease Obligations

Rental expense for continuing operations amounted to $88 million, $102 million and $89 million, in 1990, 1989 and 1988, respectively. The company's lease obligations relate primarily to office facilities, data processing equipment, equipment used in connection with long-term construction contracts and other personal property. The company's obligations for minimum rentals under noncancellable leases reduced by cash flows from the bond portfolio are as follows:

| $ in thousands/At October 31, 1990 | Gross Rentals | Cash Flows from Bond Portfolio | Net | Present Value* |
|---|---|---|---|---|
| 1991 | $ 66,087 | $ 20,865 | $ 45,222 | $ 41,747 |
| 1992 | 65,135 | 17,793 | 47,342 | 39,266 |
| 1993 | 61,886 | 20,002 | 41,884 | 31,212 |
| 1994 | 62,680 | 20,424 | 42,256 | 28,291 |
| 1995 | 45,839 | 26,652 | 19,187 | 11,542 |
| Thereafter | 311,098 | 200,633 | 110,465 | 46,212 |
| | $612,725 | $306,369 | $306,356 | $198,270 |

*The present value of net lease obligations is presented as supplementary information to reflect the impact of the time value of money, using a discount rate of 11%.

At October 31, 1990 and 1989, obligations under capital leases of approximately $14 million are included in other noncurrent liabilities.

## Contingencies and Commitments

The company is contingently liable for commitments and performance guarantees arising in the ordinary course of business. Claims arising from engineering and construction contracts have been made against the company by clients, and the company has made certain claims against clients for costs incurred in excess of the current contract provisions. The company's natural resource operations are affected by federal, state and local laws and regulations regarding environmental protection. The outcome or timing of current environmental matters or the full impact, if any, of such legislative or regulatory developments on future operations is not currently estimable. In the opinion of management, finalization of these matters will not have a material adverse effect on the company's consolidated financial position or results of operations.

Financial guarantees, in the ordinary course of business, on behalf of clients and others in certain limited circumstances are entered into with financial institutions and other credit grantors and generally obligate the company to make payment in the event of a default by the borrower. Most arrangements require the borrower to pledge collateral in the form of property, plant and equipment which is deemed adequate to recover amounts the company might be required to pay. At October 31, 1990, the Company had financial guarantees for clients and certain other unrelated third parties totaling $410 million of which $344 million was repaid by the borrower by January 4, 1991 and the company's obligation was removed.

## Operations by Business Segment and Geographic Area

The Engineering and Construction segment includes subsidiaries engaged in the design, engineering, procurement, construction, technical services and maintenance of facilities for oil and gas, chemical, industrial, commercial, utility, natural resource, energy and government clients. Coal segment amounts include the operations of Massey Coal Company. Lead segment amounts represent the company's 57.5 percent interest in the operations of Doe Run through May 24, 1990, and 100 percent thereafter.

Identifiable assets are those tangible and intangible assets used in the operation of each of the business segments and geographic areas. Corporate assets are principally cash and cash equivalents, securities, nontrade receivables and the bond portfolio.

### Operations by Business Segment

| | Revenues | | | Operating Profit | | |
|---|---|---|---|---|---|---|
| $ in millions | 1990 | 1989 | 1988 | 1990 | 1989 | 1988 |
| Engineering and Construction[1] | $6,383.1 | $5,311.7 | $4,225.2 | $135.1 | $117.4 | $ 50.8 |
| Coal | 865.8 | 815.5 | 783.7 | 60.3 | 51.0 | 50.4 |
| Lead | 197.4 | 150.4 | 123.6 | 36.1 | 38.9 | 29.0 |
| Continuing operations | $7,446.3 | $6,277.6 | $5,132.5 | $231.5 | $207.3 | $130.2 |

| | Identifiable Assets | | | Capital Expenditures | | | Depreciation, Depletion and Amortization | | |
|---|---|---|---|---|---|---|---|---|---|
| $ in millions | 1990 | 1989 | 1988 | 1990 | 1989 | 1988 | 1990 | 1989 | 1988 |
| Engineering and Construction | $ 985.3 | $ 828.4 | $ 886.9 | $ 64.8 | $ 58.4 | $46.8 | $ 45.7 | $33.7 | $23.9 |
| Coal | 704.0 | 748.1 | 667.7 | 61.0 | 72.0 | 30.6 | 46.9 | 42.0 | 38.3 |
| Lead | 311.3 | 158.4 | 159.8 | 29.2 | 8.7 | 8.7 | 16.2 | 10.9 | 10.1 |
| Corporate | 475.2 | 419.4 | 361.3 | 0.7 | 0.1 | 0.2 | 1.0 | 0.8 | 3.7 |
| | $2,475.8 | $2,154.3 | $2,075.7 | $155.7 | $139.2 | $86.3 | $109.8 | $87.4 | $76.0 |

### Operations by Geographic Area

| | Revenues | | | Operating Profit (Loss) | | | Identifiable Assets | | |
|---|---|---|---|---|---|---|---|---|---|
| $ in millions | 1990 | 1989 | 1988 | 1990 | 1989 | 1988 | 1990 | 1989 | 1988 |
| United States[1] | $6,243.7 | $5,310.2 | $4,444.6 | $208.5 | $195.3 | $120.1 | $2,133.2 | $1,880.0 | $1,864.5 |
| Canada | 388.2 | 326.0 | 257.9 | 6.4 | 2.2 | 2.2 | 82.1 | 55.8 | 53.9 |
| Middle East | 24.4 | 25.2 | 55.1 | .7 | 0.5 | (0.6) | 34.0 | 33.0 | 49.2 |
| Europe | 594.6 | 407.2 | 296.6 | 14.3 | 9.8 | 7.3 | 108.5 | 79.8 | 74.6 |
| Other | 195.4 | 209.0 | 78.3 | 1.6 | (0.5) | 1.2 | 118.0 | 105.7 | 33.5 |
| | $7,446.3 | $6,277.6 | $5,132.5 | $231.5 | $207.3 | $130.2 | $2,475.8 | $2,154.3 | $2,075.7 |

(1) Revenues for 1989 include a $43 million settlement from the National Iranian Oil Company.

The following table reconciles business segment operating profit with the earnings from continuing operations before taxes.

| $ in millions/Year ended October 31, | 1990 | 1989 | 1988 |
|---|---|---|---|
| Operating profit from continuing operations | $231.5 | $207.3 | $130.2 |
| Interest, net | 22.0 | 16.1 | 9.8 |
| Corporate administrative and general expense | (51.3) | (52.7) | (32.8) |
| Other items, net | (12.3) | 4.0 | (16.3) |
| Earnings from continuing operations before taxes | $189.9 | $174.7 | $ 90.9 |



## Reports of Management and Independent Auditors

### Management

The company is responsible for preparation of the accompanying consolidated balance sheet and the related consolidated statements of earnings, cash flows, and shareholders' equity. They have been prepared in conformity with generally accepted accounting principles, which have been applied on a consistent basis, and management believes that they present fairly the company's consolidated financial position and results of operations. The integrity of the information presented in the financial statements, including estimates and judgments relating to matters not concluded by fiscal year-end, is the responsibility of management. To fulfill this responsibility, an internal control structure, designed to protect the company's assets and properly record transactions and events as they take place, has been developed, placed in operation and maintained. The internal control structure is supported by an extensive program of internal audits and is tested and evaluated by the independent auditors in connection with their annual audit. The Board of Directors pursues its responsibility for financial information and review through an Audit Committee of Directors who are not employees. The internal auditors and the independent auditors have full and free access to the Committee. Periodically the Committee meets with the independent auditors without management present to discuss the results of their audits, the adequacy of the internal control structure and the quality of financial reporting.

### Independent Auditors

Board of Directors and Shareholders
Fluor Corporation

We have audited the accompanying consolidated balance sheet of Fluor Corporation as of October 31, 1990 and 1989, and the related consolidated statements of earnings, cash flows and shareholders' equity for each of the three years in the period ended October 31, 1990. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Fluor Corporation at October 31, 1990 and 1989, and the consolidated results of its operations and its cash flows for each of the three years in the period ended October 31, 1990, in conformity with generally accepted accounting principles.

Ernst & Young

Orange County, California
December 11, 1990

## Quarterly Financial Data

unaudited

The following is a summary of the quarterly results of operations:

| $ in thousands, except per share amounts | First Quarter | Second Quarter | Third Quarter | Fourth Quarter |
|---|---|---|---|---|
| **1990** | | | | |
| Revenues | $1,876,172 | $1,831,223 | $1,767,947 | $1,970,938 |
| Gross margin | 52,424 | 38,232 | 60,951 | 67,540 |
| Earnings from continuing operations before taxes | 45,520 | 30,697 | 49,469 | 64,195 |
| Earnings from discontinued operations | — | — | 8,005 | — |
| Net earnings | 28,220 | 37,965[a] | 40,006 | 40,695 |
| Earnings per share | | | | |
| Continuing operations | .35 | .47 | .39 | .50 |
| Discontinued operations | — | — | .10 | — |
| Net earnings | $ .35 | $ .47 | $ .49 | $ .50 |
| **1989** | | | | |
| Revenues | $1,420,401 | $1,633,211 | $1,556,943 | $1,667,052 |
| Gross margin | 43,938 | 46,746 | 67,546 | 52,982 |
| Earnings before taxes | 35,105 | 38,234 | 54,857 | 46,488 |
| Net earnings | 21,605 | 23,934 | 33,857[b] | 29,088 |
| Net earnings per share | $ .27 | $ .30 | $ .42 | $ .36 |

[a] Second quarter 1990 earnings include the benefit of a $19 million reduction of income tax expense from a reversal of tax liabilities no longer required.

[b] Third quarter 1989 earnings include a settlement received from the National Iranian Oil Company offset by certain charges for a net benefit of $9 million.

## Directors

Leslie G. McCraw
*Chairman of the Board and Chief Executive Officer (1984)*

Vincent L. Kontny
*President and Chief Operating Officer (1988)*

Hugh K. Coble
*Group President Fluor Daniel, Inc. (1984)*

Peter J. Fluor
*President of Texas Crude, Inc. (1984)*

David P. Gardner
*President, University of California (1988)*

Gerald M. Glenn
*Group President Fluor Daniel, Inc. (1989)*

William R. Grant
*Chairman of the Board of Galen Associates (1982)*

Robert L. Guyett
*Senior Vice President and Chief Financial Officer (1987)*

Bobby R. Inman
*Admiral U.S. Navy (Retired) (1985)*

Robert V. Lindsay
*Retired, former President of Morgan Guaranty Trust Company of New York (1982)*

E. Morgan Massey
*Chairman and CEO A. T. Massey Coal Company, Inc. (1987)*

Buck Mickel
*Retired, former Vice Chairman of the Board (1977)*

Allen E. Puckett
*Chairman Emeritus of Hughes Aircraft Company (1987)*

Martha R. Seger
*Member, Board of Governors of the Federal Reserve System**

David S. Tappan, Jr.
*Retired, former Chairman of the Board (1965)*

Louis H. Wilson
*General, U.S. Marine Corps (Retired) and former Commandant of the Marine Corps (1979)*

### Executive Committee

Leslie G. McCraw, Chairman
Hugh K. Coble
Gerald M. Glenn
Robert L. Guyett
Vincent L. Kontny
E. Morgan Massey
P. Joseph Trimble (ex officio)

### Audit Committee

William R. Grant, Chairman
Peter J. Fluor
David P. Gardner
Bobby R. Inman
Louis H. Wilson

### Nominating Committee

Bobby R. Inman, Chairman
Peter J. Fluor
David P. Gardner
Robert V. Lindsay
Leslie G. McCraw
Allen E. Puckett

### Organization and Compensation Committee

Louis H. Wilson, Chairman
William R. Grant
Robert V. Lindsay
Allen E. Puckett

### Senior International Advisors

Dr. William A. Cochrane
*Fluor Daniel Canada, Inc. Canada*

Sir Francis Kennedy
*Fluor Daniel Limited United Kingdom*

Sir John Mason
*Fluor Daniel Australia Limited Australia*

Cor Van Rijn
*Fluor Daniel B.V. The Netherlands*

*Years in parentheses indicate the year each director was elected to the Board. Except as otherwise indicated, all offices are of the company.*

**Will become a director upon her departure from the Board of Governors of the Federal Reserve System.*

## Officers

### Corporate Executive Officers

Leslie G. McCraw
*Chairman of the Board and Chief Executive Officer (1975)*

Vincent L. Kontny
*President and Chief Operating Officer (1965)*

Robert L. Guyett
*Senior Vice President and Chief Financial Officer (1987)*

P. Joseph Trimble
*Senior Vice President-Law (1972)*

Nad A. Peterson
*Senior Vice President and Secretary (1967)*

### Corporate Officers

Charles J. Bradley
*Vice President-Human Resources and Administration (1958)*

John F. Combs
*Vice President and Treasurer (1989)*

Lawrence N. Fisher
*Vice President-Corporate Law (1974)*

J. Robert Fluor II
*Vice President-Corporate Relations (1967)*

Betty L. Hudson
*Vice President-Government Relations (1974)*

Thomas H. Morrow
*Vice President-Tax (1984)*

David J. H. Nicoll
*Vice President-Project Finance (1989)*

Richard D. Paul
*Vice President-Financial and Operational Evaluation (1968)*

James O. Rollans
*Vice President-Corporate Communications (1982)*

### Fluor Daniel Executive Officers

Vincent L. Kontny
*President (1965)*

Hugh K. Coble
*Group President (1966)*

Gerald M. Glenn
*Group President (1964)*

### Key Fluor Daniel Executives

Dennis G. Bernhart
*Vice President-Marketing, Hydrocarbon (1968)*

Richard D. Carano
*Vice President-Marketing, Asia/Pacific (1970)*

Charles R. Cox
*President, Operations Centers (1969)*

Richard W. Dean
*President, Europe/Africa/Middle East (1967)*

Richard Fenny
*Vice President-Marketing, Europe/Africa/Middle East (1974)*

Larry M. Hart
*Vice President, Power Operations (1967)*

Larry W. Lineberger
*Vice President and Controller (1971)*

Thomas P. Merrick
*Vice President-Marketing, Government (1984)*

Charles R. Oliver
*President, Hydrocarbon Operations (1970)*

Emil J. Parente
*President, Government Operations (1978)*

Charles P. Pringle
*Vice President-Marketing, Industrial (1970)*

James C. Stein
*President, Industrial Operations (1964)*

Steven G. Tappan
*Vice President-Marketing, Process (1977)*

Richard M. Teater
*Vice President-Marketing, Power (1980)*

Peter S. Van Nort
*President, Power Operations (1980)*

### Other Key Executives

#### A. T. Massey Coal Company, Inc.

E. Morgan Massey
*Chairman and CEO (1947)*

Don L. Blankenship
*President and Chief Operating Officer (1982)*

Wynston D. Holbrook
*Executive Vice President, Sales (1972)*

David H. Few
*Vice President and Chief Financial Officer and Treasurer (1981)*

#### Fluor Constructors International, Inc.

Richard A. Flinton
*Chairman (1960)*

G. William Gilfillan
*President (1989)*

James E. Pittman, Jr.
*Vice President, Project Development (1971)*

Ronald L. Albright
*Controller (1974)*

#### The Doe Run Company

Jeffrey L. Zelms
*President (1969)*

Richard L. Amistadi
*Vice President, Sales and Marketing (1968)*

Gary E. Boyer
*Vice President, Smelting and General Manager (1977)*

John E. FitzSimmons
*Vice President, Mining and General Manager (1966)*

Kenneth R. Buckley
*General Manager, Resource Recycling Division (1977)*

Roger E. Burch, Jr.
*Controller (1983)*

*Years in parentheses indicate the year each officer or executive joined the company. Except as otherwise indicated, all offices are of the company.*

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## Principal Subsidiaries and Divisions

### Engineering and Construction

**Fluor Daniel, Inc.**
Industrial Sector, Irvine, California
Process Sector, Irvine, California
Power Sector, Irvine, California
Hydrocarbon Sector, Irvine, California
Government Sector, Irvine, California
North American Operations Centers
Anchorage, Calgary, Chicago, Greenville, Houston, Irvine, Philadelphia, Redwood City, San Juan, Tulsa (Williams Brothers Engineering)
International Operations
Fluor Daniel Arabia Limited, Al-Khobar, Saudi Arabia
Fluor Daniel Australia Limited, Melbourne, Victoria, Australia
Fluor Daniel B.V., Haarlem, The Netherlands
Fluor Daniel Canada, Inc., Calgary, Alberta, Canada
Fluor Daniel Chile, S.A., Santiago, Chile
Fluor Daniel China, Inc., Beijing, People's Republic of China
Fluor Daniel Eastern, Inc., Jakarta, Indonesia
Fluor Daniel Engineers & Constructors, Ltd., Hong Kong
Fluor Daniel Espana, S.A., Madrid, Spain
Fluor Daniel GmbH, Dusseldorf, West Germany
Fluor Daniel (Japan) Inc., Tokyo, Japan
Fluor Daniel Limited, Camberley, England
Fluor Daniel (Malaysia) Sdn. Bhd., Kuala Lumpur, Malaysia
Fluor Daniel Pacific, Inc., Manila, The Philippines
Fluor Daniel Thailand Ltd., Bangkok, Thailand
Fluorven Limited, Caracas, Venezuela
Wright Engineers Limited, Vancouver, British Columbia, Canada
American Equipment Company, Inc., Greenville, South Carolina
Duke/Fluor Daniel, Charlotte, North Carolina
SOS International, Greenville, South Carolina

**Daniel International Corporation,**
Greenville, South Carolina

**Fluor Constructors International, Inc.,**
Irvine, California

### Natural Resource Investments

A. T. Massey Coal Company, Inc., Richmond, Virginia
The Doe Run Company, St. Louis, Missouri

## Stockholders' Reference

### Form 10-K

A copy of the Form 10-K, which is filed with the Securities and Exchange Commission, is available upon request.
Write to: Vice President–Corporate Law, Fluor Corporation, 3333 Michelson Drive, Irvine, California 92730, (714) 975-2000.

### Registrar and Transfer Agent

Security Pacific National Bank, Corporate Services Division, 701 South Western Avenue, Glendale, California 91201, and Security Pacific National Trust Company, 2 Rector Street, 9th Floor, New York, New York 10006. For change of address, lost dividends, or lost stock certificates, write or telephone: Security Pacific National Bank, Stock Transfer Division, Box 3546, Terminal Annex, Los Angeles, California 90051, Attn: Shareholder Relations (800) 752-9833.

### Independent Auditors

Ernst & Young, 18400 Von Karman Avenue, Irvine, California 92715

### Annual Stockholders' Meeting

Annual report and proxy statement are mailed about February 1. Fluor's annual meeting of stockholders will be held at 9:00 a.m. on March 12, 1991 at the Meridien Hotel, 4500 MacArthur Boulevard, Newport Beach, California 92660-2010.

### Stock Trading

Fluor's stock is traded on the New York, Midwest, Pacific, Amsterdam, London and Swiss Stock Exchanges. Common stock domestic trading symbol: FLR.

### Company Contacts

Stockholders may call collect.
Stockholder information:
Lawrence N. Fisher
(714) 975-6961
Investor Relations:
Lila J. Churney
(714) 975-3909

### Common Stock History Since Going Public in 1950

| | |
|---|---|
| 08/23/57 | 20% Stock Dividend |
| 12/15/61 | 5% Stock Dividend |
| 03/11/63 | 5% Stock Dividend |
| 03/09/64 | 5% Stock Dividend |
| 03/08/65 | 5% Stock Dividend |
| 02/14/66 | 5% Stock Dividend |
| 03/24/66 | 2 for 1 Stock Split |
| 03/27/67 | 5% Stock Dividend |
| 02/09/68 | 5% Stock Dividend |
| 03/22/68 | 2 for 1 Stock Split |
| 05/16/69 | 5% Stock Dividend |
| 03/06/70 | 5% Stock Dividend |
| 03/05/71 | 5% Stock Dividend |
| 03/10/72 | 5% Stock Dividend |
| 03/12/73 | 5% Stock Dividend |
| 03/11/74 | 3 for 2 Stock Split |
| 08/13/79 | 3 for 2 Stock Split |
| 07/18/80 | 2 for 1 Stock Split |

### Common Stock Information

At December 31, 1990 there were 80,410,121 shares outstanding and approximately 16,300 stockholders of record of Fluor's common stock.

The following table sets forth, for the periods indicated, the cash dividends paid per share of common stock and the high and low sales prices of such common stock as reported in the Consolidated Transactions Reporting System.

Common Stock and Dividend Information

| | *Dividends Per Share* | *Price Range* | |
|---|---|---|---|
| | | *High* | *Low* |
| Fiscal 1990 | | | |
| First Quarter | $0.06 | $40 | $28⅜ |
| Second Quarter | 0.06 | 44¾ | 38¾ |
| Third Quarter | 0.06 | 49¼ | 41 |
| Fourth Quarter | 0.06 | 45¾ | 29 |
| | $0.24 | | |
| Fiscal 1989 | | | |
| First Quarter | $0.02 | $23⅞ | $18⅛ |
| Second Quarter | 0.04 | 24⅞ | 21⅝ |
| Third Quarter | 0.04 | 36⅛ | 24⅛ |
| Fourth Quarter | 0.04 | 36¼ | 28⅝ |
| | $0.14 | | |