Fluor Corporation

1991

Annual

Report

Broad diversification within the global engineering and construction industry provides a solid foundation for building Shareholder Value.

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.

About The Cover

The Doswell power plant in Virginia pictured on this year's annual report cover typifies Fluor Daniel's commitment to excellence and value added. As the result of a broad range of quality services, the project achieved outstanding safety records and was able to meet or exceed all performance criteria established by the client.

When operational in early 1992 the plant will generate enough power to serve 166,000 homes while meeting all applicable environmental standards.

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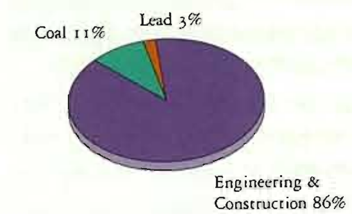
Company Description

Revenues by Segment—1991



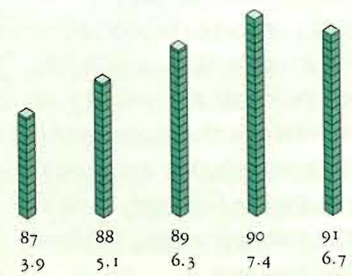
Fluor Corporation is one of the world's largest international engineering, construction, maintenance and related services companies, and has important investments in coal and lead.

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, Process, Industrial 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.

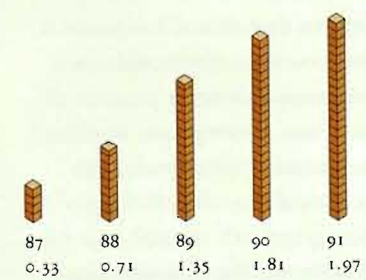
A.T. Massey Coal Company, Fluor's investment in coal, produces both high-quality, low-sulfur steam coal and metallurgical coal and ranks among the 10 largest coal companies in the United States. In addition to sales of produced coal, Massey also markets coal for independent producers.

Fluor's investment in lead is conducted through The Doe Run Company, which produces approximately 50 percent of all U.S. primary lead metal, and operates one of the world's environmentally cleanest secondary lead recycling plants.

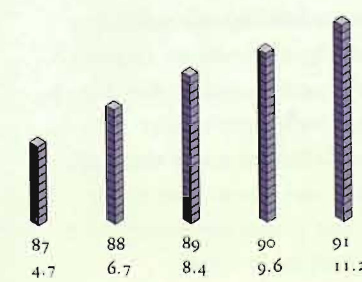
Revenues
dollars in billions



Net Earnings per Share
dollars



Backlog
dollars in billions



Highlights

$ in thousands, except per share amounts	1991	1990	Percent Change
Fiscal Year			
Revenues	$ 6,741,698	$7,446,280	-9
Net earnings	160,788	146,886	9
Net earnings per share	$ 1.97	$ 1.81	9
Return on average shareholders' equity	17.2%	18.6%	—
Capital expenditures	$ 159,718	$ 155,686	3
New awards	8,531,600	7,632,300	12
Cash dividends per common share	$ 0.32	$ 0.24	33
At Year-End			
Working capital	$ 311,312	$ 238,822	30
Total assets	2,421,435	2,475,796	-2
Backlog	11,181,300	9,557,800	17
Capitalization			
Long-term debt	75,682	57,662	31
Shareholders' equity	1,019,994	863,965	18
Total capitalization	$ 1,095,676	$ 921,627	19
Percent of total capitalization			
Long-term debt	6.9	6.3	—
Shareholders' equity	93.1	93.7	—
Closing stock price	$ 45⅜	$ 32⅛	41
Shareholders' equity per common share	$ 12.58	$ 10.75	17
Salaried employees	19,625	22,188	-12

The quarterly dividend was increased from $.06 per share to $.08 per share in the first quarter of 1991 and to $.10 per share in the first quarter of 1992.

Leslie G. McCraw, Chairman of the Board and Chief Executive Officer (left) and Vincent L. Kontny, President and Chief Operating Officer (right).

Dear Fellow Stockholders:

We are pleased to report that 1991 was a record-setting year for Fluor. Five years ago management set performance goals as part of the company's overall restructuring. The foundation of this restructuring was to become broadly diversified within the engineering and construction (E&C) industry. The goals we set included regaining the No. 1 position in our industry through leveraging our diversification of more services, to more clients, in more industries and more geographic markets than any global competitor. That goal has been reached. In fact, for the past four years, Fluor Daniel, Fluor's E&C business, has been ranked No. 1 by *Engineering News-Record* among all U.S.-based E&C companies and is widely recognized as not only the most diversified but also the safest.

A second goal was to exceed the company's previous net earnings peak of $159 million set in 1981 by being more client focused and market driven as set forth in our Mission Statement (inside front cover). In 1991, net earnings totaled $161 million, surpassing the previous peak. More importantly, the earning power and growth potential of Fluor continue to expand.

Highlights of the Year

- Consolidated net earnings for the company advanced 9 percent in 1991 compared with the prior year.
- Fluor Daniel, our core E&C unit, generated operating profit growth of 23 percent and backlog growth of 17 percent.
- A. T. Massey, our coal investment, showed strong profits, about in line with 1990.
- Doe Run, our lead investment, suffered a small loss versus $36 million in operating profits in 1990, due to weak, industry-wide lead prices.
- Nonrecurring gains resulting from a tax refund, the sale of an investment in a reinsurance company and reversal of lease cost reserves in connection with the purchase of our Sugar Land, Texas E&C facility, more than offset the operating profit decline at Doe Run.
- The company ended the year with an exceptionally strong balance sheet—$370 million in cash and securities and only $76 million in long-term debt or 7 percent of total capitalization.
- Quarterly cash dividends to shareholders were increased 25 percent to 10 cents per share.

Among the biggest challenges we overcame this past year was rapid and fundamental change in the global markets we serve. Thinking back just 12 months ago, who could have imagined the events that would take place, the geopolitical dislocations that would occur, and the problems and opportunities that would be presented? Capitalizing on change continues to be a repeated theme within our company as well as a basic assumption in our forward planning.

Engineering and Construction

Fluor's core business continues to be engineering and construction including maintenance and technical services. Diversification of services, industries and geographic areas within E&C remains our strategic emphasis. We firmly believe that diversification will enable us to weather the economic storms that individual industries and economies we serve periodically experience. This past year was a strong case in point.

Given the enormous size and virtually limitless opportunities within our global markets, the challenges in delivering E&C profitability growth require that we excel in the following four areas: First, Continuous Performance Improvement—recognizing that we must constantly improve the quality of everything we do no matter how well it is currently being done. Second, selectivity—pursuing project opportunities where we can add meaningful value as defined by the client. Third, alignment and Excellence in Project Execution—ensuring that our project goals match those of the client while performing our work in a safe and superior fashion, thereby earning improved margins, incentives and repeat business. And fourth, leveraging—continuing to refine our ability to network our multiple global offices in a way that maximizes both the experience and capabilities of our people and that utilizes our global computer-aided design and telecommunications systems.

Natural Resources

A. T. Massey, our coal investment, performed quite well this past year due to excellent management, well run, cost-efficient operations and high-quality, low-sulfur coal reserves. Another notable achievement occurred shortly after the close of the fiscal year. In November, Rawl Sales & Processing, Massey's largest operating subsidiary, reached agreement on a new, five-year labor contract with the United Mine Workers of America (UMWA). The terms of the accord were equitable to both the UMWA members involved and to Rawl.

A major milestone was also reached in management succession as Morgan Massey became Chairman Emeritus and Don Blankenship, who had been President and Chief Operating Officer, assumed the position of Chairman and Chief Executive Officer. Mr. Massey, who has provided visionary leadership through the years, will remain on Fluor Corporation's Board of Directors.

The strategy for Massey Coal, against a backdrop of positive clean air legislation, calls for capitalizing on their leading market position in Central Appalachia and expanding their low-sulfur reserves as appropriate. Massey is challenged to continue to improve their safety performance, operations effectiveness and environmental sensitivities.

Action plans at Doe Run this past year involved contending with deteriorating lead prices due to oversupply and soft end-market demand, particularly in the automobile battery sector. Cost reduction actions included manpower and production cuts of 25 percent resulting in lower unit costs. Operational effectiveness programs are continuing.

Doe Run, with project assistance from Fluor Daniel, completed construction and start-up of a new, environmentally state-of-the-art, lead recycling plant. This new 60,000 tons per year unit, a world-class facility, significantly increases both production flexibility and cost efficiency of the lead operations. In addition, it underscores the commitment to being an environmentally sensitive company. The frustration with our lead investment is that it is a much improved operation today compared with just a year ago. In fact, from a variety of perspectives including safety, environmental response, innovation and basic operations, Doe Run is at a level of performance unprecedented in its 100-year history. Unfortunately, due to weak global pricing, it is currently operating at no better than break-even. Management continues to explore ways to increase the value of this investment from the shareholders' perspective.

Board of Directors Change

Dr. Allen Puckett, former Chairman of Hughes Aircraft, retired as a director of the company effective December 10, 1991. Dr. Puckett has served our company with great distinction since 1987, adding a wealth of technical experience and business acumen. His wise counsel will be missed.

We are grateful for the strong contributions by our Board of Directors and have included a special section on pages 44 and 45 highlighting the unique capabilities each director brings to the company.

Building Shareholder Value

Our Letter to Stockholders normally includes a brief section covering financial matters. This year we have devoted an expanded section describing how management views the building of shareholder value through superior financial performance. This information, which immediately follows this letter, will assist shareholders in evaluating the company's investment profile, goals and potential.

Without hesitation, 1991 was one of the most challenging and rewarding years in our history. Most gratifying was the dedication, creativity and flexibility of our employees worldwide. They responded to rapidly changing situations, always mindful of our obligations to clients and shareholders. Special thanks also go to those same clients and shareholders for their trust and support. Many of our clients refer to us as partners and that in itself says so much about the kind of company they view us to be.

As we look out into the decade of the 90s, we remain convinced that capital expansion, the primary stimulus of our core business, will continue in an upward trend worldwide. As a company, Fluor and Fluor Daniel could not be better positioned to capitalize on the opportunities that will result.

Les McCraw

Les McCraw
Chairman and Chief Executive Officer

Vince Kontny

Vince Kontny
President and Chief Operating Officer

January 17, 1992

Shareholder Value — What Is It?

Building shareholder value. Is it the latest corporate cliché or a value-based framework for making corporate decisions and judging management's success? At Fluor, our dedication is to establish a corporate culture where success is measured by both client and employee satisfaction, the foundation for the creation of shareholder value. Defined as total return to stockholders over time, shareholder value is the stock price appreciation plus dividends that result from a well managed and financially strong business.

Superior Performance Generates Shareholder Value

External studies of companies across all industries have found a clear relationship between superior stock price appreciation, dividend growth and superior financial performance. The four most important financial measures contributing to shareholder value are earnings growth, high returns on shareholders' equity, positive cash flow and balance sheet strength. As a result, Fluor is emphasizing these financial measurements as important elements in shaping our strategic plans and guiding our decision process.

In addition to specific operational goals designed to create value for our clients, it is our objective to deliver performance levels that would rank us in the top 25 percent of the 500 largest U.S.-based corporations in the decade of the 90s.

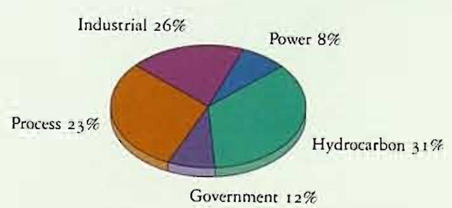
While we are already exceeding the return on equity, cash flow and balance sheet goals, improved performance is necessary to meet the earnings growth target.

Focus on Business Offering Growth and Superior Returns

An essential element in creating shareholder value is to operate within a business or industry which offers strong opportunities for superior financial performance. As reflected in our Letter to Stockholders, Fluor's corporate restructuring in 1987 refocused the company on engineering and construction (E&C) as our single core business which we are convinced offers such opportunities. By reconfiguring our core E&C business to be broadly diversified, we've significantly expanded the long-term growth potential of our company.

Given the broad market spectrum for E&C services, our strategy is to target those segments where we can emphasize high-quality, value-added services and in turn generate superior growth and profitability. Our approach is to be selective by pursuing projects where our range of services, global E&C capabilities and superior project execution skills can add unmistakable value for clients and allow us to be paid accordingly.

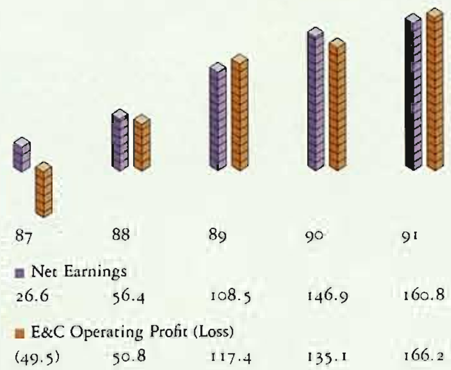
Backlog by Business Sector — 1991



Consistency in Financial Performance

Another important element in creating shareholder value is consistency in financial performance. Again, our broad E&C diversification of services, industries and geographic areas, coupled with a flexible operating style, is designed to mitigate the cyclical nature of individual business segments. The global market for E&C services is very large, estimated to be more than $1.5 trillion a year. Given our diversity and global presence, the opportunities to gain market share are significant. We believe our diversification strategy, coupled with the size of the market, should enhance the consistency of Fluor's financial performance.

Net Earnings and E&C Operating Profit
dollars in millions

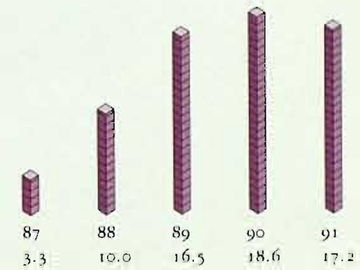


Return on Investment — A Key Focus

A third key element to enhancing the shareholder value of Fluor stock is to concentrate our capital dollars in areas which maximize return on investment. The E&C business tends to be a strong cash generator. The challenge is to identify and pursue attractive reinvestment opportunities which benefit the core business and/or the shareholder. Consequently, Fluor capital investments are prioritized as follows.

First, capital investment is only directed into areas which provide superior returns or which provide our business with a strategic advantage. Our priority is to reinvest in our core E&C business. For example, we have invested aggressively in the tools of our trade such as electronic engineering and linking our network of global offices through telecommunications to improve the productivity of our people. Use of cash for project purposes, including interim funding or financing, is receiving careful consideration. Either full acquisitions or partial ownership of E&C companies which would enhance our participation in attractive markets are also a focus for reinvestment. Additionally, we continue to see opportunities for excellent return on investment in new low-sulfur coal reserves adjacent to existing facilities of A.T. Massey, Fluor's coal investment. The other areas of potential cash use include increased dividends and share repurchases while retaining sufficient cash to provide for financial flexibility.

Return on Equity
percent



Fluor's Business Depends on People

As a service business, it is important to realize that what Fluor's core business sells is not a product, but is simply and entirely the skills and capability of its people. Recognizing this fact, we believe that the most effective approach for focusing and motivating management toward enhancement of shareholder value is to directly link their objectives with those of the shareholder.

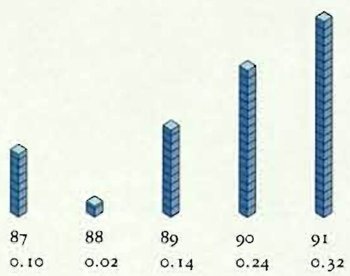
Fluor has a variety of compensation programs geared to attract, retain and motivate management, with incentives linked to superior financial performance and enhanced shareholder value. The fundamental philosophy is to relate the amount of an executive's compensation at risk to his or her contribution in achieving financial performance objectives.

Executive compensation programs, for example, include three primary components: 1) base salary; 2) potential for an annual cash bonus award based on overall company performance as well as individual performance; and 3) the opportunity to earn long-term cash and stock incentives which are designed to achieve superior results over time and to align management and shareholder interests. For 1991, more than 80 percent of compensation for the Executive Officers listed on page 46 was at risk. The nature of the long-term programs as well as the extended vesting period for stock options mean that executives may realize rewards several years after shareholders benefit from stock price appreciation.

Dividend Growth Tied to Company Performance

Our current dividend payout guideline is approximately 20 percent of the previous year's earnings. By establishing a payout guideline tied to a percentage of annual earnings, dividends will grow as company performance improves.

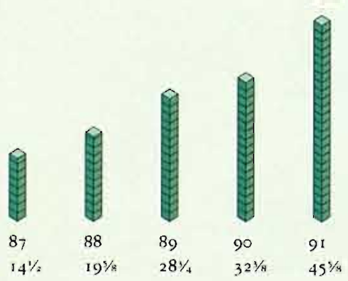
Dividends per Share
dollars



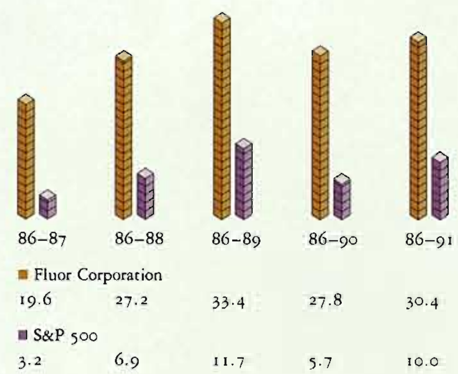
Strong Board of Directors Provides Oversight

Finally, acting on behalf of shareholders, the Board of Directors provides oversight to ensure that the company's business strategy and financial policies are aligned with the best interests of shareholders. Fluor is committed to having a strong Board, a majority of whom are nonemployee directors who can add insightful global perspective to business issues. We are fortunate to have such an outstanding Board.

Fluor Stock Price, October 31
dollars



Fluor Stock Price vs. S&P 500, October 31
cumulative percentage change



Increases in Shareholder Value Average Over 30 Percent

Now that we know how Fluor defines shareholder value and is positioned to enhance it, what have been the results so far? A stockholder at the beginning of fiscal 1987, the year our corporate restructuring was completed, could have purchased shares of Fluor for $12.13. At the end of fiscal 1991, five years later, those shares were worth $45.62. Including dividend growth, this represents annual growth of 31 percent on the original investment. This compares to annual growth of 10 percent for the S&P 500 over the same time period.

While we are reasonably pleased with our performance so far, in many ways we have only begun to scratch the surface of our potential. We firmly believe our focus on shareholder value is consistent with delivering the objectives of our Mission Statement (inside front cover) while building the kind of company in which employees can contribute, achieve personal growth and be proud of their accomplishments.

Through hard work, dedication and innovation, we believe our strategy will support our goal of enhancing shareholder value. We are focused on engineering and construction, a business that we believe is in a long-term growth cycle. We are convinced that Fluor has the right organization and strategic plan for success. We are dedicated to delivering the financial performance that will prove enhancing shareholder value at Fluor is no cliché.

Operations Report

Engineering & Construction

Fluor Daniel, the company's core engineering and construction (E&C) business, generated operating profits of $166 million in 1991, a 23 percent advance over the prior year. E&C earnings growth was due to improved profit margins from operations.

Fluor Daniel's geographic and market diversity, combined with a broad array of services and flexible operating approach has proven to be an effective strategy for expanding the company's position in the global marketplace. New E&C awards grew 12 percent in 1991 to $8.5 billion, while backlog advanced 17 percent to $11.2 billion. All five E&C business sectors achieved backlog growth from a year ago. Approximately 30 percent of backlog is for projects outside the U.S.

Our marketing approach is to be selective, targeting primarily those project opportunities where we can add special value and earn a premium price. Benefits are beginning to be realized on our investment in electronic engineering and telecommunications to network our technical resources worldwide. As many Fluor Daniel clients globalize their operations, they are recognizing the value of our global resources and experience. A strong emphasis on Excellence in Project Execution and Continuous Performance Improvement is allowing us to add value for clients and improve profitability. Superior performance is essential to winning incentive bonuses on contracts linked to key project objectives important to each client. Finally, the value advantage is the foundation of continued growth in strategic alliances with clients that account for approximately 20 percent of our work.

We remain firmly convinced that the decade of the 90s will be a period of worldwide capital expansion for which we are particularly well positioned. Our diversity and flexibility, coupled with superior project execution, should allow us to capitalize on this long-term growth cycle.

Hydrocarbon Sector

The Hydrocarbon Sector posted healthy gains in 1991, benefitting from a strong capital investment cycle in its markets. New awards increased 44 percent to $3.4 billion, bringing the Hydrocarbon backlog to $3.5 billion, or 31 percent of the company's total.

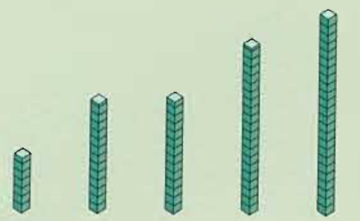
The factors driving the hydrocarbon market include fundamental growth in global energy demand; strategic market positioning by producers to capture market share and by users to diversify sources of supply; and continuing investment to address environmental concerns and process heavier feedstock.

Fluor Daniel's Hydrocarbon Sector is organized to serve two primary markets: the "upstream" market, including basic production, treatment and transportation of oil and gas; and the "downstream" market, including petroleum and petrochemical projects that refine and process feedstocks.

Project activity in the U.S. hydrocarbon market has focused primarily on downstream processing facilities, largely driven by environmental legislation. Remediation of existing problems and new pollution prevention projects, along with modernization and upgrading of facilities, dominate market activity.

Outside the U.S., significant opportunities, both upstream and downstream, span the global hydrocarbon market. Included are several large opportunities where Fluor Daniel can capitalize on its global presence and project management strengths. Few competitors

Hydrocarbon Sector Backlog
dollars in millions



have the capability of handling such complex, multi-year programs. Selectively targeting such opportunities where Fluor Daniel can differentiate itself and provide added value to the client is a key strategy in continuing profitability growth.

During 1991, work continued on the large Saudi Aramco Crude Expansion Program awarded in June 1990. Backlog at year-end 1991 included approximately $1 billion for this multi-year contract. As home to a major portion of the world's crude oil reserves, the Middle East is an attractive fundamental market for the Hydrocarbon Sector.

Venezuela is also moving aggressively to expand its economy by capitalizing on geographic independence from the Middle East as a long-term supplier of crude production and refined product. In addition to a stable political environment, Venezuela has made significant changes in its economic policies to attract foreign investment to support its expansion programs.

Fluor Daniel has a longtime market presence in Venezuela with excellent client relationships. Recently, the company acquired approximately 20 percent equity interest in Tecnoconsult, our local Venezuelan partner of 20 years, further enhancing our position in this market. Oil reserves in Venezuela tend to be heavier crudes that require extensive processing and upgrading facilities, a key Fluor Daniel strength.

Strong economic growth accompanied by increasing energy demand has made Asia/Pacific another attractive long-term market for the Hydrocarbon Sector. Opportunities to capitalize on existing natural resources through expansion of value-added refined products have stimulated a significant array of anticipated projects. Investment is coming from both the national oil companies in Asia/Pacific as well as from the international oil companies that are diversifying and globalizing their sources of crude and finished products.

Government Sector

New awards for the Government Sector in 1991 were $635 million, somewhat below last year's record $887 million. Backlog currently stands at $1.4 billion, or 12 percent of the company's total. The Government Sector made important strides during the year to position itself on the front-end of several potential large, long-term projects. Additionally, the relatively high proportion of engineering and technical services makes the sector a strong contributor to earnings.

The Government Sector serves a broad range of clients in both government and private industry through five business units: Advanced Technology; Environmental Services; Telecommunications; Infrastructure; and FD Services/SOS.

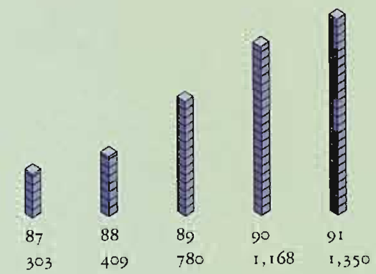
Increased spending by the Department of Energy (DOE) to address the long-term issues of environmental cleanup at its sites and reconfiguration of the nuclear weapons program should create significant opportunities throughout the decade for the Advanced Technology unit.

Ongoing DOE contracts to handle long-term storage of spent nuclear fuel include the Hanford Waste Vitrification project and the 1991 award for work on a nuclear waste repository. Fluor Daniel was also successful in winning the key contract to provide

The Hydrocarbon Sector through Tecnofluor, an association of Fluor Daniel and Tecnoconsult, is providing engineering, procurement and construction management services to build a delayed coker unit at Lagoven's Amuay refinery in Venezuela. Fluor Daniel has a longtime relationship with Lagoven, an affiliate of Petroleos de Venezuela. Previous projects include a major upgrading project at this same refinery.

The Environmental Services business unit of Fluor Daniel's Government Sector is at work on one of its first major remediation projects. The unit is providing engineering, procurement, construction management and program management for the private cleanup of a Superfund site in Gary, Indiana, sponsored by the Ninth Avenue Respondents, a group of more than 30 companies.

Government Sector Backlog
dollars in millions



engineering services for the nuclear weapons reconfiguration study program, which will span the decade and represent billions of dollars in capital expenditures by the DOE. Of additional significance is Fluor Daniel's selection as one of two competing contractors for the construction management of a new nuclear production reactor. Fluor Daniel is providing planning support services for the newer modular high temperature gas-cooled reactor (MHTGR) that is widely recognized for its inherent safety and environmental soundness and may be a major long-term factor in new baseload power production.

The second major area of long-term potential for the Government Sector is the market for our Environmental Services unit. Legislation, public pressure and a growing commitment by industrial companies to be proactive in their approach to remediate environmental problems is stimulating rapid growth. Capitalizing on a leading-edge base of technology resident in Fluor Daniel and the resources to address large projects, the Environmental unit was successful in winning a number of contracts in 1991. Environmental work is underway at several sites as part of our strategic alliance with Olin Chemicals. Additionally, Fluor Daniel is performing remediation at two Superfund sites and was selected for the U.S. Navy's environmental cleanup program throughout the Pacific. Existing client relationships across Fluor Daniel's diversified client base represent attractive opportunities for our environmental services.

While the Telecommunications unit suffered in 1991 from a lagging U.S. economy, we have established a niche in integrated data networks for the banking industry and emergency 911 systems for municipalities. Mergers and the need for greater operational efficiencies within the banking industry should stimulate investment in this area. Our successful completion of the emergency 911 system in Los Angeles could lead to similar opportunities in other cities.

At year-end, operations serving the space and defense, transportation and commercial building markets were consolidated under the Government Sector as the Infrastructure business unit. Complimentary skills and an overlapping client base allowed for more effective performance and streamlining of costs. Recent allocation of funds by the U.S. Government for transportation projects should enhance Fluor Daniel's opportunities in that market.

FD Services/SOS provides facilities operations, maintenance and asbestos abatement services to a broad range of government and private sector clients. A continuing trend towards outsourcing for flexibility and cost-effective services is stimulating demand for this unit. Several new contracts were received in 1991, including renewal of our contract at the Charleston Naval Station in South Carolina.

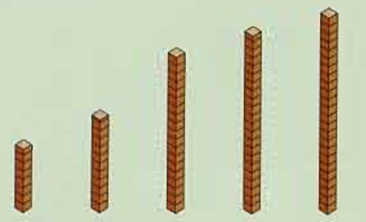
Process Sector

The Process Sector performed admirably in 1991 against a backdrop of sluggish demand coupled with near-term overcapacity in several of its key markets. New awards were $1.7 billion, slightly below $1.8 billion last year. Backlog grew 11 percent, however, to $2.6 billion, representing 23 percent of the company's total.

Significant advances were achieved during the year to consolidate and streamline the Process Sector's business operations, improve the focus of marketing efforts and enhance strategic geographic positioning.

The Process Sector serves two primary markets: pharmaceutical and biotechnology; and chemicals and plastics. A third business unit is aligned specifically to provide services to our long-term alliance with Du Pont.

Process Sector Backlog
dollars in millions



Industry consolidation in 1991 caused us to refocus our market activity on larger, global companies located in three geographic regions: the United States, Western Europe and the Far East. The pharmaceutical and biotechnology market continues its relatively stable long-term growth pattern which is driven by advances in technology and medical research.

Our Philadelphia office, established in 1988, has grown steadily and is the nucleus of our U.S. activities for this market. Responding to the increased global orientation of the client base, we have further strengthened our global sales team to increase penetration of the pharmaceutical and biotech market. Our offices in Camberley, England and Wiesbaden, Germany are leading our European efforts. Plans to expand Fluor Daniel's business activities in the Far East pharmaceutical and biotech market are currently being developed.

During the year, business operations for the chemicals and plastics units were consolidated to capitalize on market similarities and operational strengths. The commodity-based market for chemicals and plastics tends to be cyclical and currently is digesting new capacity that was brought on over the past few years. A strengthening U.S. economy and increased consumer confidence should stimulate a cyclical recovery.

Bright spots of activity have centered on specialty chemical areas and expansion to meet long-term strategic plans. For example, Fluor Daniel was successful in winning a large, world-scale project in Saudi Arabia to produce MTBE, a gasoline additive that has environmental benefits. Strategic issues also are stimulating activity as integration of the European Economic Community continues. Clients are centralizing their production to achieve economies of scale while remaining responsive to individual geographic markets. In most cases, these new plants are expected to replace smaller, less efficient facilities. Strong client relationships and our global capability positions us well as the chemical and plastics industries continue to consolidate and globalize.

Environmental remediation and cleanup is increasingly representing significant capital investment by Process Sector clients. Existing relationships with many of these clients and the ability not only to remediate problems of the past but to design new processes to minimize waste have made this an attractive market.

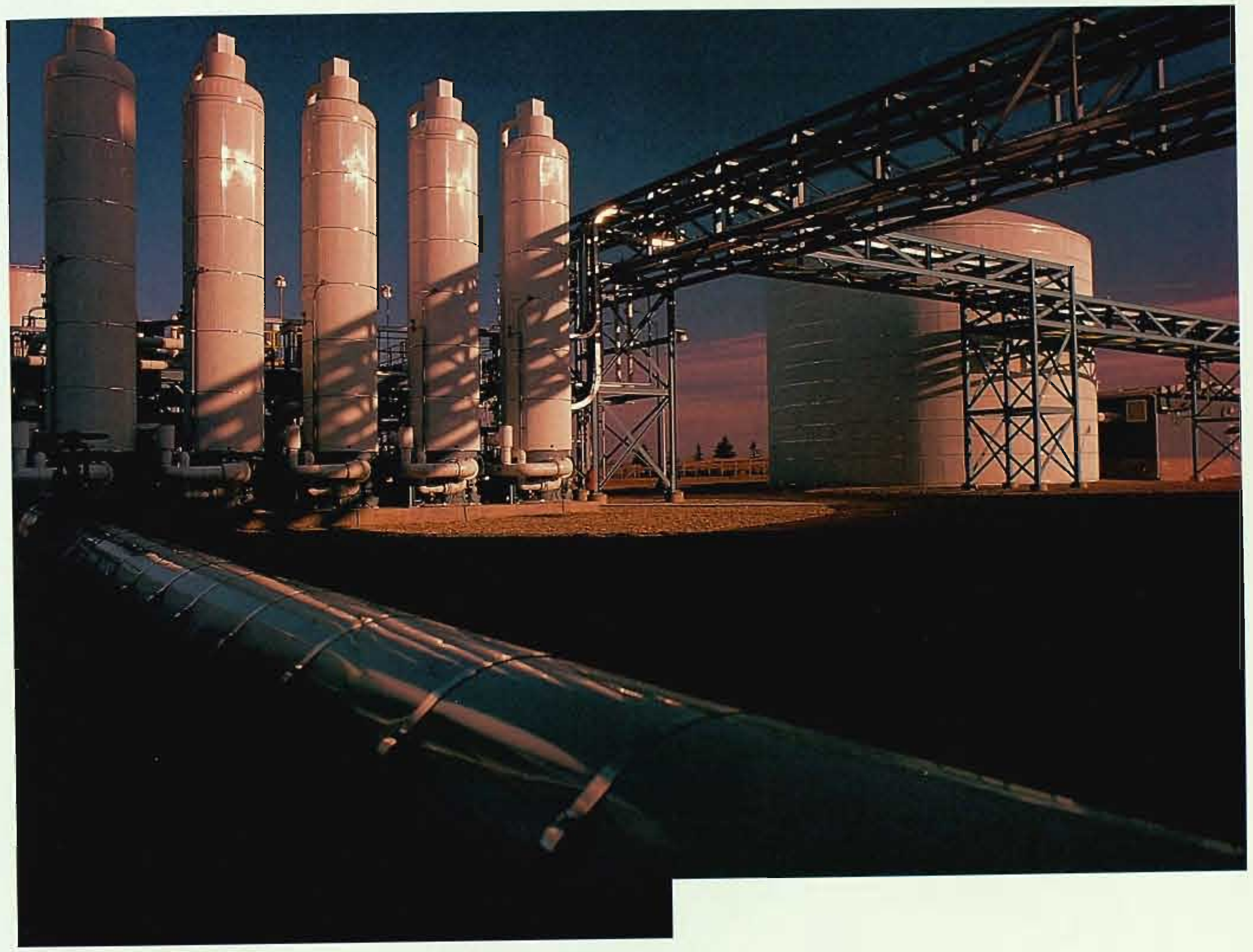
The Delta Division, which is dedicated to serving our long-term strategic alliance with Du Pont, experienced its first year of reduced activity following several years of strong growth. Strengthening industry conditions expected in 1992 should stimulate renewed opportunities for the Delta Division. During 1991, activity continued on Du Pont's large-scale grass roots plants in Spain and Canada. Opportunities to help Du Pont address its environmental concerns are expected to add to future growth.

Industrial Sector

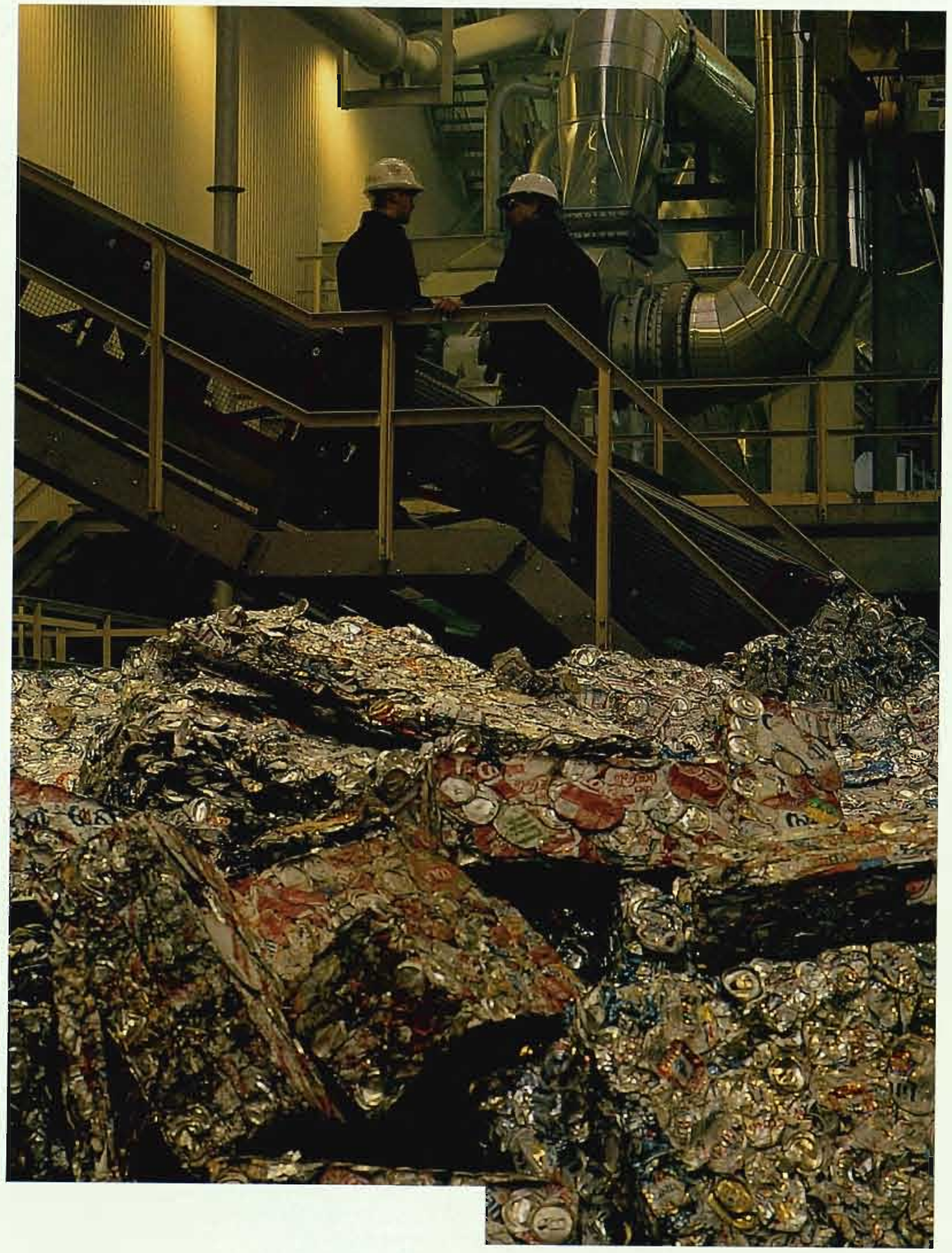
Broad diversity, client alliances and continuing expansion of services and geographic markets helped the Industrial Sector offset recessionary weakness in the U.S. New awards in 1991 were $2.1 billion compared with $1.7 billion last year. Backlog grew 24 percent to $2.9 billion, representing 26 percent of the company's total.

The Industrial Sector is organized to address a broad range of markets: pulp and paper; mining and metals; foods, beverages and consumer products; and automotive and electronics.

Sufficient capacity in the U.S. pulp and paper market has caused new capital investment to be focused primarily on recycling and environmentally driven projects.

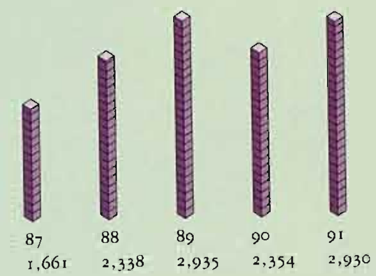


The Process Sector's Delta Division executed the largest project performed to date under the Du Pont alliance with the engineering and construction of this hydrogen peroxide plant for Du Pont Canada in Gibbons, Alberta. Strong commitments to quality and safety goals resulted in achievement of full incentive awards and zero lost-time injuries.



In a global expansion of Fluor Daniel's nearly four-year alliance with Alcan, the Industrial Sector provided total responsibility services to British Alcan Aluminum to construct a used beverage can recycling plant in the U.K. Modeled after a sister facility also built by Fluor Daniel in Berea, Kentucky, the plant is the first in the European Economic Community fully dedicated to aluminum can recycling and is capable of processing 9 million cans per day.

Industrial Sector Backlog
dollars in millions



During 1991, Fluor Daniel took steps to expand and enhance its ability to respond to increased globalization by clients in this market. Demand for higher quality paper products has stimulated activity in Europe and other industrialized economies.

The mining unit, which was previously reported under the Hydrocarbon Sector, was consolidated with the metals business during the year to capitalize on market synergies. Activity in 1991 focused on a variety of markets with particular emphasis on aluminum. New awards include projects for a new aluminum smelter, expansion of an aluminum sheet production facility and recycling plants. Although recycling of aluminum beverage cans is well established in the U.S., this trend is just beginning in the United Kingdom and throughout Europe.

Building on a base of strong client relationships, Fluor Daniel continues to expand its geographic participation in the global market for foods, beverages and consumer products. Organizational changes were made during 1991 to better serve and capitalize on an increased geographic diversity of clients and projects. Greater use of technology such as aseptic processing and packaging is stimulating long-term market growth, particularly in developing countries.

Continued gains in market share were made in 1991 in the global automotive and electronics markets. Economic stimulus from the market integration process in Europe is expected to create strong growth. European, U.S. and Japanese manufacturers have been establishing new production facilities, particularly in southern Europe where labor costs are attractive. Reflecting a new trend toward outsourcing of maintenance services by the European auto industry, Fluor Daniel recently won its first maintenance contracts in Europe.

In the U.S., pressures on auto manufacturers to remain competitive through model changes and plant renovations have kept capital spending at high levels. The trend toward free trade and privatization has made Mexico not only an attractive location for new auto production facilities, but also should stimulate an expanded market as well.

Additional opportunities are emerging in Asia/Pacific in both the auto and electronics markets as those economies expand. Fluor Daniel formed a new joint venture with Posco Engineering, a subsidiary of Korea's largest steel company, to expand our E&C market potential across a broad range of industries in Asia/Pacific. The new company, AEC International, has already been contracted to build a silicon wafer facility in Korea.

Power Sector

The Power Sector, which concentrates primarily on North America, achieved notable successes during 1991 in a market that continues to defer capacity additions. New awards for the Power Sector were $711 million compared with $900 million in 1990. Backlog grew 5 percent to $855 million, or 8 percent of the company's total.

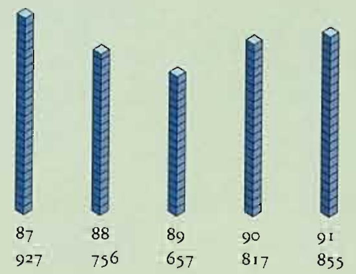
Reluctance by U.S. electric utilities to add new baseload generating capacity stems from a variety of political, legislative and economic factors. Over the past decade, many utilities suffered unfavorable judgments by public utility commissions to recover costs of constructing large new generating plants. More recently, pending changes in utility regulations and far-reaching environmental legislation have created an atmosphere of uncertainty, making long-range planning difficult. As a result, capital investment by utilities has concentrated on programs to stretch existing generating capacity through greater efficiency and optimization strategies. Fluor Daniel's Power Sector provides services to support these programs. To further offset the need for new plants, many utilities have instituted demand-side management programs to achieve significant gains through energy conservation. The sluggish U.S. economy also has impacted near-term growth in electricity demand.

Despite these factors, however, non-utility generators (NUGs) continue to build new plants, and industry experts recognize that significant additions to new baseload capacity cannot be postponed indefinitely. Fluor Daniel is following a strategy of serving the needs of the current power market, while positioning to respond when the full potential of this market is realized.

The Power Sector is organized in three business units to best serve the needs of its market. The Power Services unit provides a broad range of services to existing power plants and is responsible for building and maintaining strong client relationships with North American utilities. The Gas Turbines unit specializes in new gas-fired, combined-cycle facilities that have been developed most frequently by NUGs. Duke/Fluor Daniel, our joint venture with Duke Power, is focused on delivering new coal-fired power plants and flue-gas desulfurization.

Steady progress in developing closer relationships with target clients and gaining market share was achieved by the Power Services unit. Growth continued in partnering programs to provide ongoing system maintenance and capital improvements. The unit is completing its third steam generator replacement project for a nuclear plant, a market that is growing with the aging of U.S. nuclear facilities. Also, at year-end the company was awarded a maintenance agreement with Tennessee Valley Authority, the largest utility system in the U.S.

Power Sector Backlog
dollars in millions



NUGs continue to offer opportunities for the Gas Turbine unit to capitalize on Fluor's expertise in leading edge applications of combined-cycle technology. Additionally, because these projects must secure outside financing, Fluor's excellent financial condition and engineering/construction reputation provide a competitive advantage. The 663 megawatt gas-fired, combined-cycle plant in Virginia for Diamond Energy, which will be completed next spring, is representative of the opportunities in the independent power producer market.

While few utilities have committed to new baseload plants, Duke/Fluor Daniel was successful in winning the only utility-owned, coal-fired plant to be ordered this past year—a 385 megawatt generating facility for South Carolina Electric and Gas. Near-term focus has centered on the developing market driven by clean air legislation.

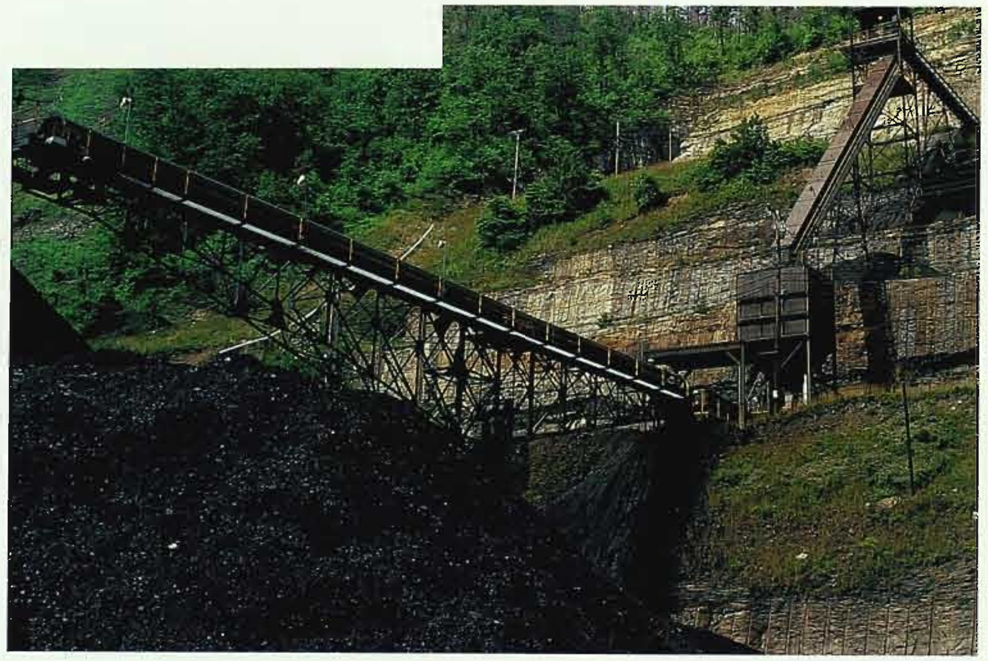
While natural gas prices and availability remain attractive, future conditions could shift the economics toward the environmental benefits of coal gasification. As a leader in coal gasification technology, Duke/Fluor Daniel is working with several clients in the development of integrated gasification combined-cycle projects for electric power generation. This will position us to capitalize on this emerging market.

Fluor Constructors International

Fluor Constructors International, Inc. (FCII) provides construction services for Fluor Daniel 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. FCII is aligned to provide global support to all five Fluor Daniel business sectors.

Working under a very aggressive schedule, Fluor Daniel's Power Sector provided full scope and start-up testing services for Doswell Limited Partnership, a subsidiary of Diamond Energy, Inc., in the construction of a 663 megawatt power plant in Hanover County, Virginia. The facility is the largest independent power plant ever built in the U.S. and is expected to begin commercial operation in early 1992.

Massey Coal subsidiary Elk Run Coal Company, located in Boone County, West Virginia, is a full-service supplier of steam and metallurgical coal products to more than 30 customers. More than 15 million clean tons of coal have been shipped over the past ten years without a single rejection.



Doe Run's lead recycling plant in Boss, Missouri achieved successful start-up in October establishing Doe Run as the only significant U.S. supplier of both primary and secondary lead products. The facility recovers lead from scrap, including 20,000 used automotive batteries per day, while producing two-thirds less waste than conventional secondary plants.

Natural Resource Investments

Coal

A. T. Massey, Fluor's coal investment, produces high-quality, low-sulfur steam coal for the electric generating industry and metallurgical coal for the steel industry through its operating subsidiaries. The company also markets coal for independent producers. Massey reported strong earnings of $61 million in 1991, level with last year's performance. Soft demand in the first half of the year due to the general economic slowdown and a mild winter, coupled with temporarily higher operating costs from a spike in oil prices, presented a challenging year. Emphasis was placed on cost reduction. Additionally, Massey was able to increase its steam coal sales, although sales of metallurgical and purchased coal ran significantly below the prior year.

Massey's strategy is to focus on its strong low-sulfur coal position in Central Appalachia, providing utility customers with high quality "compliance" coal to meet new clean air standards that go into effect in 1995. Continuing capital investment is being made to ensure Massey's mines and facilities are the most modern and productive, including acquisitions of attractively priced low-sulfur reserves. Emphasis is placed on properties that are contiguous to existing Massey facilities, minimizing new capital requirements and ensuring continued supply for key long-term contracts.

A significant accomplishment in 1991 was the settlement with the United Mine Workers of America at Rawl Sales & Processing Company. The new agreement promises five years of uninterrupted work at Rawl, which is A.T. Massey's largest subsidiary.

Lead

Fiscal 1991 was a difficult year for The Doe Run Company, Fluor's lead investment. Earnings dropped from $36 million in 1990 to an operating loss of $4 million in 1991. The market is in a cyclical trough with rising global lead supplies driving prices to low levels. Inventory on the London Metals Exchange, which sets prices, rose steadily throughout the year due to slow end-market demand and unusually high lead exports from the former Soviet republics.

Approximately 60 percent of lead consumed in the U.S. is for automobile batteries. New car production accounts for roughly 20 percent of battery sales, with replacement battery sales accounting for the balance. Faced with rising industry-wide inventories, slow auto sales, a mild winter and falling prices, Doe Run moved swiftly in April to cut production and employment by 25 percent and aggressively continues to reduce costs.

To position Doe Run as the only significant U.S. producer of both primary and secondary lead, the company successfully completed a new state-of-the-art lead recycling facility at year-end. In addition to lowering overall costs of production, the facility will produce approximately 60,000 tons per year of recycled lead utilizing an environmentally safe technology significantly superior to other existing U.S. secondary plants. Due to the positive environmental aspects of the plant, Doe Run has received unsolicited offers for various sources of lead-bearing scrap, including those willing to pay a fee for recycling in an environmentally sound manner. This advantage is available because the plant has a favorable hazardous waste regulatory status which allows it to process certain lead-bearing feedstock that many other secondary producers cannot accept.

Finally, Doe Run's modest exploration and development efforts successfully added 2 million tons of additional ore reserves during the year.

Engineering and Construction

$ in thousands/Year ended October 31,	1991	1990	1989	1988	1987
Work Performed	$ 5,791,800	$6,352,832	$5,240,827	$4,267,892	$3,370,957
Revenues	5,813,477	6,383,059	5,311,653	4,225,212	3,251,304
Operating Profit (Loss)	166,212	135,124	117,439	50,819	(49,473)
New Awards	8,531,600	7,632,300	7,135,300	5,955,200	4,059,700
Backlog	$11,181,300	$9,557,800	$8,360,900	$6,658,600	$4,667,300
Salaried Employees	17,602	19,829	17,519	15,576	11,993

Backlog by Sector and Location

$ in millions/At October 31,	$ 1991	%	$ 1990	%	$ 1989	%	$ 1988	%	$ 1987	%
Hydrocarbon	3,493	31	2,922	31	1,951	23	1,932	29	940	20
Government	1,350	12	1,168	12	780	9	409	6	303	6
Process	2,553	23	2,297	24	2,038	25	1,224	19	836	18
Industrial	2,930	26	2,354	25	2,935	35	2,338	35	1,661	36
Power	855	8	817	8	657	8	756	11	927	20
Total Backlog	11,181	100	9,558	100	8,361	100	6,659	100	4,667	100
United States	7,915	71	6,724	70	6,404	77	5,298	80	4,039	87
Outside U.S.	3,266	29	2,834	30	1,957	23	1,361	20	628	13
Total Backlog	11,181	100	9,558	100	8,361	100	6,659	100	4,667	100

Coal

$ in thousands/in thousands of short tons Year ended October 31,	1991	1990	1989	1988	1987
Revenues	$758,481	$865,809	$815,558	$783,719	$580,123
Operating Profit	$ 60,709	$ 60,241	$ 51,007	$ 50,375	$ 28,326
Salaried Employees	1,133	1,214	1,435	1,232	1,372
Steam Coal Produced	13,472	13,151	12,303	11,078	9,258
Metallurgical Coal Produced	3,421	5,569	4,191	3,980	2,825
Produced Coal Sold	16,982	18,596	16,582	15,025	12,531
Purchased Coal Sold	6,578	7,989	9,300	10,038	5,306

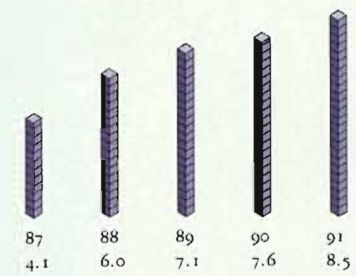
Amounts through June 1987 represent 50 percent of Massey's operations, except the number of employees which is 100 percent. Commencing July 1987, amounts include 100 percent of the operations of Massey after reflecting partitioning of a partnership.

Lead

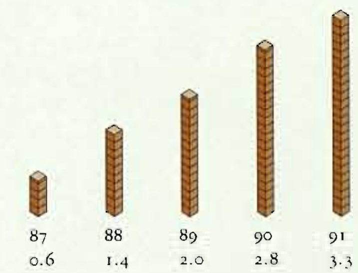
$ in thousands/in short tons Year ended October 31,	1991	1990	1989	1988	1987
Revenues	$169,740	$197,412	$150,396	$123,526	$ 93,053
Operating Profit (Loss)	$ (3,750)	$ 36,112	$ 38,895	$ 29,022	$ (5,511)
Salaried Employees	890	1,145	1,105	1,068	986
Lead Content of Concentrates Produced	227,420	188,009	144,205	139,809	123,888
Lead Metal Sold	222,752	201,330	155,433	146,879	130,753

Amounts from 1987 through May 1990 represent Fluor's 57.5 percent interest in the operations of The Doe Run Company (Doe Run) except the number of employees which is 100 percent. Thereafter, amounts include 100 percent of the operations of Doe Run after reflecting Fluor's acquisition of the remaining 42.5 percent ownership interest.

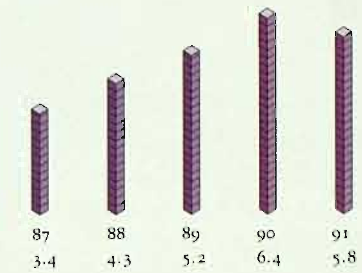
New Awards
dollars in billions



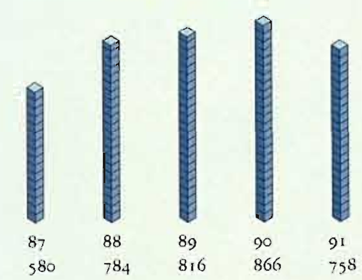
International Backlog
dollars in billions



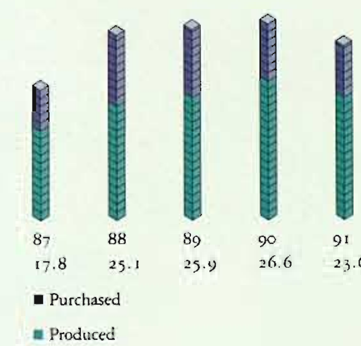
Work Performed
dollars in billions



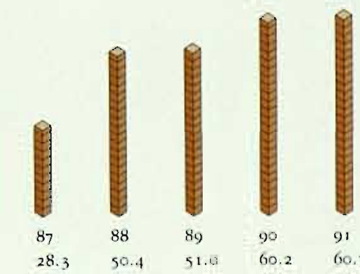
Coal Revenues*
dollars in millions



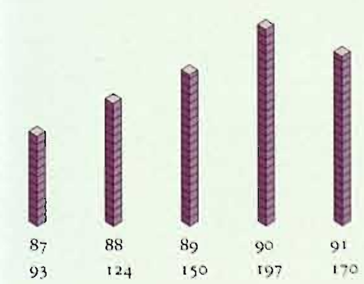
Total Coal Sold*
millions of short tons



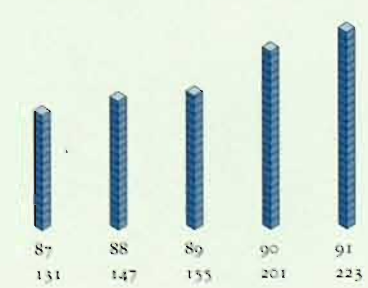
Coal Operating Profit*
dollars in millions



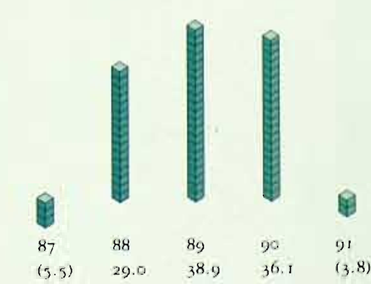
Lead Revenues*
dollars in millions



Lead Metal Sold*
thousands of short tons



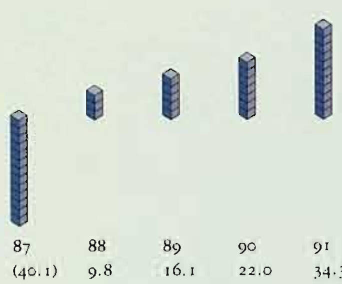
Lead Operating Profit (Loss)*
dollars in millions



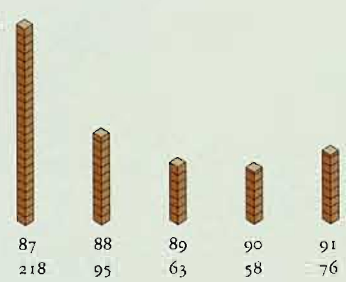
*Amounts reflect Fluor's proportionate share for all periods.

Contents

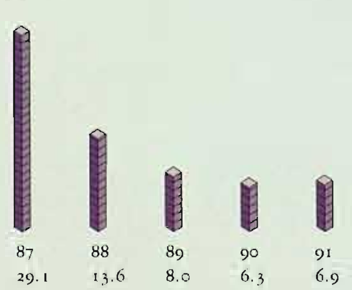
Net Interest Income (Expense)
dollars in millions



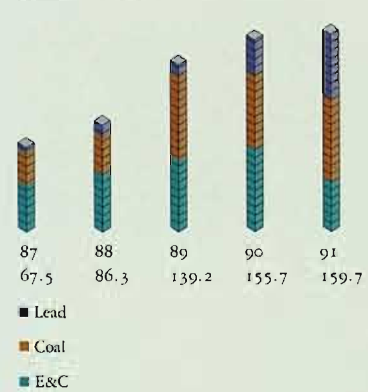
Long-Term Debt
dollars in millions



Long-Term Debt to Total Capitalization
percent



Capital Expenditures by Segment
dollars in millions



Results of Operations

Earnings from continuing operations were $149 million in 1991 compared with $139 million in 1990 and $108 million in 1989. The related earnings per share were $1.83 for 1991 compared with $1.71 in 1990 and $1.35 in 1989. Revenues decreased 9 percent in 1991 following a 19 percent increase in 1990.

Engineering and Construction

During 1991, the engineering and construction industry continued to experience a worldwide increase in demand for its services despite significant political and economic events during the year. The company saw continued growth in the majority of the global markets it serves which resulted in an increase in new awards of 12 percent to $8.5 billion for 1991, compared with $7.6 billion in 1990 and $7.1 billion in 1989. In addition, work outside the U.S. grew to approximately 35 percent of new awards in 1991 compared with 31 percent and 26 percent in 1990 and 1989, respectively. New awards in the Hydrocarbon Sector were $3.4 billion in 1991, an increase of $1.0 billion compared with new awards in 1990. Hydrocarbon new awards increased $.8 billion in 1990 compared with 1989. Backlog in the Hydrocarbon Sector increased to $3.5 billion compared with $2.9 billion and $2.0 billion in 1990 and 1989, respectively. New awards in the Industrial Sector were $2.1 billion in 1991, an increase of 22 percent from 1990. Industrial new awards were $1.7 billion in 1990 and $2.4 billion in 1989. The Industrial Sector backlog increased 24 percent to $2.9 billion compared to $2.3 billion in 1990 and $2.9 billion in 1989. Although new awards decreased slightly in 1991 in the Process, Power, and Government Sectors, their percentages of total backlog have remained relatively stable in 1991 compared with 1990 and 1989. Backlog at October 31, 1991, 1990, and 1989 was $11.2 billion, $9.6 billion and $8.4 billion, respectively.

Engineering and Construction operating profits increased 23 percent to $166 million in 1991 compared with $135 million in 1990 and $117 million in 1989. Operating results improved in 1991 compared with 1990 primarily due to improved margins on work performed which more than offset the effect of lower revenues. Revenues were down in 1991 compared with 1990 primarily due to longer lead times on larger contracts beginning to enter the business mix. In 1989, earnings were favorably impacted by a $43 million cash settlement of an outstanding claim received 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.

Improved results in 1991 also reflect realization of increased margins on work performed that include more full service contracts providing engineering, procurement, technical services and maintenance as well as project and construction management. International work represents approximately 30 percent of total backlog compared with 30 percent in 1990 and 23 percent in 1989. Approximately 64 percent of the backlog at October 31, 1991, is expected to be performed in fiscal 1992.

Coal

Revenues and operating profit from Coal operations in 1991 were $758 million and $61 million, respectively, compared with revenues of $866 million and operating profit of $60 million in 1990. Revenues and operating profit in 1989 were $816 million and $51 million, respectively. Lower volume in 1991 accounted for over 93 percent of the decrease in revenues compared with 1990. Coal revenues declined due to recessionary market conditions and a mild winter creating soft demand in the first half of the year. Operating profit remained level with the prior year primarily due to improved margins on produced coal which accounts for the majority of revenues. This margin improvement resulted from reduced production at higher cost facilities due to the lower sales volume demand. Coal operations improved significantly in 1990 from 1989 due primarily to higher realized prices and increased sales volume of produced coal which more than offset higher costs and lower contributions from brokered coal sales due to lower volume. Higher prices in 1990 comprised approximately 68 percent of the increase in revenues compared with 1989.

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 loss from Lead operations in 1991 were $170 million and $4 million, respectively, compared with revenues of $197 million and operating profit of $36 million in 1990. Revenues and operating profit in 1989 were $150 million and $39 million, respectively. The decrease in 1991 revenues resulted from significant declines in lead prices and volume of $35 million and $25 million, respectively. This was partially offset by an increase in revenues as the result of the change in ownership. Lower revenues and the 1991 loss are primarily attributed to rising global lead supplies resulting in significant price declines throughout the year. Additionally, a depressed automobile industry contributed to the price slide due to a lower demand for lead used in automobile batteries. Operating results in 1991 also include one-time charges of $2.5 million associated with cost-cutting measures and production curtailments implemented during the year. Higher prices were 28 percent of the increase in 1990 revenues over 1989 with the remainder primarily due to the increase in ownership. 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.

Other

In 1991 the company had net interest income of $34 million compared with $22 million in 1990 and $16 million in 1989. Net interest income increased significantly in 1991 compared with 1990 and 1989 due primarily to higher balances of interest-earning assets and $5.8 million of interest related to the favorable settlement of certain income tax issues. Increased net interest income in 1990 compared with 1989 is primarily due to higher balances of interest-earning assets and lower interest expense due to decreased average debt outstanding.

Corporate administrative and general expense increased in 1991 compared to 1990 primarily due to higher stock price driven compensation plan expense in the first half of fiscal 1991. Corporate administrative and general expense 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.

In July 1991, the company purchased certain partnership interests which owned the company's Sugar Land, Texas, engineering office, including the leasehold on the land as well as the buildings, for $64.3 million in cash and the assumption of $32.4 million of notes. The company had previously acquired approximately $93 million of notes related to the property and to the extent that the company is now both the holder and issuer of such notes, these notes have been effectively extinguished. As a result of the purchase certain lease cost reserves and other items, which were no longer required, were reversed and reduced the cost basis of the property by $51.7 million and increased pretax earnings by $19.6 million net of a $5.0 million provision for foreign lease reserves. The company also sold its minority interest in Centre Reinsurance Holdings Ltd., a Bermuda-based insurer for a pretax gain of $16.4 million.

There is no significant difference between the effective federal income tax rate on earnings from continuing operations and the statutory rate in 1991, 1990 and 1989 after excluding the 1990 reversal of $19 million of income tax liabilities relating to A. T. Massey Coal Company, Inc. The Financial Accounting Standards Board has issued Statement of Financial Accounting Standards No. 96 "Accounting for Income Taxes" and in early 1992 is expected to issue another statement on this subject which will supersede Statement No. 96. Implementation of changes in income tax accounting due to the new standard(s) is not required until 1994 although earlier implementation is permitted. If the company elects to restate prior years with the adoption of the new income tax accounting requirements, additional deferred income tax liabilities will be established, resulting in a reduction in shareholders' equity of approximately 10 percent as of October 31, 1991. In connection with this accounting change, net earnings in future years are expected to increase, as the additional liabilities reverse, by a cumulative amount which is substantially equal to the equity reduction. This accounting change will not have any impact on the company's liquidity or future cash flows.

In December 1990, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions." The statement requires accrual of the expected cost of providing postretirement benefits during the years that employees render service. The precise impact of implementation, which is not required until fiscal 1994, is not known at this time; however, management believes the impact of adopting this statement, based on the company's current benefit programs, will not be material.

Discontinued Operations

During 1991 the company recognized net earnings from discontinued operations of $11.7 million ($.14 per share) relating to a settlement of certain income tax issues regarding the company's St. Joe Mineral's subsidiary for the years 1975 through 1981. The tax refund and after-tax interest components of this balance were $7.7 million and $4 million, respectively.

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 at October 31, 1991 was $311 million compared with $239 million at October 31, 1990. Working capital increased 30 percent primarily through cash provided from operations of approximately $230 million and the reclassification to current assets of approximately $38 million of investments previously held in the company's long-term bond portfolio. Capital expenditures for 1991 were $160 million compared with $156 million in 1990 and $139 million in 1989. In 1991, capital expenditures included $27 million to complete the construction of the state-of-the-art secondary lead facility at Doe Run. In both 1991 and 1990, capital expenditures include approximately $12 million related to coal reserve acquisitions and mine start-up at Massey Coal. Additionally, in 1990, $18 million was spent on the secondary lead recovery facility at Doe Run. In 1989, capital expenditures included approximately $30 million related to coal reserve acquisitions and mine start-up at Massey Coal Company and $17 million for additional engineering office facilities primarily in Greenville, South Carolina. The engineering and construction segment made a significant commitment of capital in 1991, 1990 and 1989 for additions to computer aided design (CAD) engineering equipment. This concentration of investment in CAD equipment is expected to continue in order to enhance productivity and satisfy workload demand.

The long-term debt to capitalization ratio at October 31, 1991 was 6.9 percent compared with 6.3 percent and 8.0 percent at October 31, 1990 and 1989, respectively. The increased 1991 ratio is primarily attributable to the company's assumption of approximately $32 million of debt when it acquired its Sugar Land, Texas facilities. At October 31, 1991, 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. Additional liquidity was provided by the company's commercial paper program which was initiated in April 1991. As of October 31, 1991, there was $29.9 million outstanding.

Quarterly cash dividends of $.04 per share as of the second quarter of 1989 were raised to $.06 per share in December 1989, to $.08 per share in December 1990 and to $.10 per share in December 1991.

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.

In millions, except per share amounts	1991	1990	1989	1988	1987
Operating Results					
Revenues	$ 6,741.7	$7,446.3	$6,227.6	$5,132.5	$3,924.5
Earnings (loss) from continuing operations before income taxes	227.8	189.9	174.7	90.9	(126.1)
Earnings (loss) from continuing operations	149.1	138.9	108.5	56.4	(75.3)
Net earnings	160.8	146.9	108.5	56.4	26.6
Earnings (loss) per share					
Continuing operations	1.83	1.71	1.35	0.71	(0.95)
Net earnings	$ 1.97	$ 1.81	$ 1.35	$ 0.71	$ 0.33
Return on average shareholders' equity	17.2%	18.6%	16.5%	10.0%	3.3%
Cash dividends per common share	$ 0.32	$ 0.24	$ 0.14	$ 0.02	$ 0.10
Financial Position					
Current assets	$ 1,159.5	$1,222.8	$1,036.4	$1,001.0	$1,213.5
Current liabilities	848.2	984.0	797.7	786.1	698.0
Working capital	311.3	238.8	238.7	214.9	515.5
Bond portfolio	—	150.1	151.6	154.8	4.0
Property, plant and equipment, net	1,092.7	925.3	775.3	729.8	735.2
Total assets	2,421.4	2,475.8	2,154.3	2,075.7	2,061.2
Capitalization					
Long-term debt	75.7	57.6	62.5	95.0	217.8
Shareholders' equity	1,020.0	864.0	720.4	601.7	531.7
Total capitalization	$ 1,095.7	$ 921.6	$ 782.9	$ 696.7	$ 749.5
Percent of total capitalization					
Long-term debt	6.9	6.3	8.0	13.6	29.1
Shareholders' equity	93.1	93.7	92.0	86.4	70.9
Shareholders' equity per common share	$ 12.58	$ 10.75	$ 9.03	$ 7.61	$ 6.74
Common shares outstanding at October 31	81.1	80.4	79.8	79.1	78.9
Other Data					
New awards	$ 8,531.6	$7,632.3	$7,135.3	$5,955.2	$4,059.7
Backlog at year end	11,181.3	9,557.8	8,360.9	6,658.6	4,667.3
Capital expenditures	159.7	155.7	139.2	86.3	99.8
Cash provided by operating activities	$ 229.7	$ 353.1	$ 265.1	$ 17.7	$ 57.3
Salaried employees	19,625	22,188	20,059	17,876	14,351

See Management's Discussion and Analysis on pages 23 to 25, Consolidated Statement of Earnings on page 27 and Notes to Consolidated Financial Statements and Quarterly Financial Data for information relating to significant items affecting operating results.

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, to $.08 per share in the first quarter of 1991 and to $.10 per share in the first quarter of 1992.

In thousands, except per share amounts/Year ended October 31,	1991	1990	1989
Revenues			
Engineering and construction services	$5,813,477	$6,383,059	$5,311,653
Natural resources	928,221	1,063,221	965,954
Total revenues	6,741,698	7,446,280	6,277,607
Cost of Revenues			
Engineering and construction services	5,655,793	6,260,265	5,190,343
Natural resources	871,475	966,868	876,052
Total cost of revenues	6,527,268	7,227,133	6,066,395
Other Income and Expense			
Corporate administrative and general expense	57,032	51,274	52,660
Reduction in accrued lease cost, net	(19,649)	—	—
Gain on sale of investment	(16,426)	—	—
Interest expense	13,350	15,068	20,239
Interest income	(47,689)	(37,076)	(36,371)
Total cost and expenses	6,513,886	7,256,399	6,102,923
Earnings From Continuing Operations Before Taxes	227,812	189,881	174,684
Income Tax Expense	78,700	51,000	66,200
Earnings From Continuing Operations	149,112	138,881	108,484
Discontinued Operations, Net	11,676	8,005	—
Net Earnings	$ 160,788	$ 146,886	$ 108,484
Earnings Per Share			
Continuing operations	$ 1.83	$ 1.71	$ 1.35
Discontinued operations	.14	.10	—
Net Earnings Per Share	$ 1.97	$ 1.81	$ 1.35
Shares Used to Calculate Earnings Per Share	81,807	81,313	80,459

See Notes to Consolidated Financial Statements.

$ in thousands/At October 31,	1991	1990
Assets		
Current Assets		
Cash and cash equivalents	$ 184,022	$ 229,889
Marketable securities	186,042	41,341
Accounts and notes receivable	385,838	493,833
Contract work in progress	256,564	328,828
Inventories	82,612	91,882
Other current assets	64,447	37,029
Total current assets	1,159,525	1,222,802
Investment in Bond Portfolio	—	150,131
Property, Plant and Equipment		
Land	67,873	66,101
Buildings and improvements	273,840	130,030
Machinery and equipment	554,584	472,770
Mining properties and mineral rights	488,732	485,407
Construction in progress	89,720	53,634
	1,474,749	1,207,942
Less accumulated depreciation, depletion and amortization	382,020	282,612
Net property, plant and equipment	1,092,729	925,330
Other Assets		
Investments and goodwill, net of accumulated amortization of $28,215 and $20,374, respectively	69,852	81,520
Other	99,329	96,013
Total other assets	169,181	177,533
	$2,421,435	$2,475,796

	1991	1990
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable	$ 272,090	$ 385,992
Commercial paper	29,928	—
Advance billings on contracts	155,626	271,144
Accrued salaries, wages and benefit plan liabilities	125,793	93,276
Other accrued liabilities	229,419	211,092
Current portion of long-term debt	17,726	246
Income taxes currently payable	17,631	22,230
Total current liabilities	848,213	983,980
Long-Term Debt Due After One Year	75,682	57,662
Noncurrent Liabilities		
Deferred income taxes	110,494	104,640
Accrued lease costs	10,831	95,969
Other	356,221	369,580
Total noncurrent liabilities	477,546	570,189
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 1991—81,111,731 shares and in 1990—80,389,657 shares	50,695	50,244
Additional capital	563,057	537,285
Retained earnings (since October 31, 1987)	414,794	279,831
Unamortized executive stock plan expense	(10,797)	(6,805)
Cumulative translation adjustment	2,245	3,410
Total shareholders' equity	1,019,994	863,965
	$2,421,435	$2,475,796

See Notes to Consolidated Financial Statements.

Consolidated Statement of Cash Flows

$ in thousands/Year ended October 31,	1991	1990	1989
Cash Flows From Operating Activities			
Net earnings	$ 160,788	$ 146,886	$ 108,484
Depreciation, depletion and amortization	121,482	109,775	87,398
Deferred income taxes	(14,888)	21,092	(11,473)
Reduction in accrued lease cost, net	(19,649)	—	—
Gain on sale of investment	(16,426)	—	—
Amortization of accrued lease costs and deferred gains	(14,138)	(26,116)	(31,013)
Change in operating assets and liabilities	(24,964)	94,664	69,342
Other, net	37,503	6,841	42,386
Cash provided by operating activities	229,708	353,142	265,124
Cash Flows From Investing Activities			
Capital expenditures	(147,229)	(144,057)	(108,675)
Coal reserve acquisitions and mine start-up	(12,489)	(11,629)	(30,499)
Purchase of marketable securities, net	(105,756)	(41,341)	—
Purchase of Sugar Land real estate partnership interests	(64,311)	—	—
Proceeds from sale of investment	31,426	—	—
Proceeds from sale of property, plant and equipment	14,699	6,066	11,675
Acquisition of remaining 42.5 percent of Doe Run	—	(125,000)	—
Proceeds from sale of discontinued operations, net	—	11,783	—
Other, net	10,869	5,182	(7,184)
Cash utilized by investing activities	(272,791)	(298,996)	(134,683)
Cash Flows From Financing Activities			
Payments of long-term debt	(483)	(44,953)	(62,382)
Issuance of commercial paper	29,928	—	—
Cash dividends paid	(25,825)	(19,227)	(11,126)
Other, net	(6,404)	5,046	13,364
Cash utilized by financing activities	(2,784)	(59,134)	(60,144)
Increase (decrease) in cash and cash equivalents	(45,867)	(4,988)	70,297
Cash and cash equivalents at beginning of year	229,889	234,877	164,580
Cash and cash equivalents at end of year	$ 184,022	$ 229,889	$ 234,877

See Notes to Consolidated Financial Statements.

Consolidated Statement of Shareholders' Equity

$ in thousands, except per share amounts Year ended October 31, 1989, 1990 and 1991	Common Stock	Additional Capital	Retained Earnings	Unamortized Executive Stock Plan Expense	Cumulative Translation Adjustment	Total
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
Net earnings			160,788			160,788
Cash dividends ($.32 per share)			(25,825)			(25,825)
Exercise of stock options, net	394	10,364				10,758
Stock option tax benefit		8,463				8,463
Amortization of executive stock plan expense				839		839
Issuance of restricted stock, net	57	4,646		(4,831)		(128)
Tax benefit of net operating loss		2,299				2,299
Translation adjustment					(1,165)	(1,165)
Balances at October 31, 1991	$50,695	$563,057	$414,794	$(10,797)	$ 2,245	$1,019,994

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 1990 and 1989 amounts have been reclassified to conform with the 1991 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 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 the ultimate 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, 1991, will be billed and collected in 1992. 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 over their estimated useful lives. Leasehold improvements are amortized over the lives of the respective leases. Goodwill 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.

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, 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,	1991	1990
Coal, metals and processed minerals	$48,959	$57,548
Supplies and other	33,653	34,334
	$82,612	$91,882

Foreign Currency

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

$ in thousands/Year ended October 31,	1991	1990
Balance at beginning of year	$ 3,410	$ 144
Translation adjustment	(1,765)	4,948
Deferred income taxes	600	(1,682)
Balance at end of year	$ 2,245	$ 3,410

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. At October 31, 1991, the company had $124 million of forward exchange contracts outstanding relating to foreign currency denominated long-term debt and interest, lease commitments and contract receipts. If the counterparties to the exchange contracts (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. 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 progress are from Engineering and Construction clients in various industries and locations throughout the world. Most contracts require payments as the 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 occurs. 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 of investment grade quality and 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.

The change in operating assets and liabilities as shown in the Consolidated Statement of Cash Flows comprises:

$ in thousands/Year ended October 31,	1991	1990	1989
Decrease (increase) in:			
Accounts and notes receivable	$ 107,880	$(126,393)	$ 47,855
Contract work in progress	72,264	4,436	4,083
Inventories	9,270	(2,751)	(1,024)
Other current assets	(31,203)	10,254	(16,078)
Increase (decrease) in:			
Accounts payable	(113,902)	59,826	(35,799)
Advance billings on contracts	(115,518)	151,694	698
Accrued liabilities	50,844	(1,527)	66,340
Income taxes currently payable	(4,599)	(875)	3,267
	$ (24,964)	$ 94,664	$ 69,342
Cash paid during the year for:			
Interest expense	$ 9,988	$ 10,613	$ 17,744
Income tax payments, net	$ 93,677	$ 50,221	$ 46,038

Acquisitions and Investments

In September 1991, the company sold its minority interest in Centre Reinsurance Holdings Ltd., a Bermuda-based insurer, resulting in a pretax gain of $16.4 million.

In July 1991, the company purchased certain partnership interests which owned the company's Sugar Land, Texas, engineering office, including the leasehold on the land as well as the buildings, for $64.3 million in cash and the assumption of $32.4 million of notes. The company had previously acquired approximately $93 million of notes related to the property and to the extent that the company is now both the holder and issuer of such notes, these notes have been effectively extinguished. As a result of the purchase certain lease cost reserves and other items, which were no longer required, were reversed and reduced the cost basis of the property by $51.7 million and increased pretax earnings by $19.6 million net of a $5 million provision for foreign lease reserves.

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

In February 1990, the company purchased Tulsa, Oklahoma based Williams Brothers Engineering Company (WBEC), 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 WBEC from the acquisition date. The acquisition was accounted for as a purchase.

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 which was reported in discontinued operations.

Income Taxes

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

$ in thousands/Year ended October 31,	1991	1990	1989
Current:			
Federal (includes a charge in lieu of taxes of $2,299, $2,900 and $11,267 for 1991, 1990 and 1989, respectively)	$ 60,482	$ 23,524	$ 58,820
Foreign (includes a charge in lieu of taxes of $977 in 1989)	20,984	18,392	7,976
State and local	13,024	10,831	10,877
Total current	94,490	52,747	77,673
Tax liability reversal	(6,100)	(19,000)	—
Deferred:			
Federal	(10,037)	19,625	(12,017)
Foreign	(198)	485	1,540
State and local	(4,653)	982	(996)
Total deferred	(14,888)	21,092	(11,473)
Total income tax expense	$ 73,502	$ 54,839	$ 66,200

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

$ in thousands/Year ended October 31,	1991	1990	1989
Provision for continuing operations:			
Current	$ 100,127	$ 60,921	$ 77,673
Tax liability reversal	(6,100)	(19,000)	—
Deferred	(15,327)	9,079	(11,473)
Total provision—continuing operations	78,700	51,000	66,200
Provision for discontinued operations:			
Current	(5,637)	(8,174)	—
Deferred	439	12,013	—
Total provision—discontinued operations	(5,198)	3,839	—
Total income tax expense	$ 73,502	$ 54,839	$ 66,200

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

$ in thousands/Year ended October 31,	1991	1990	1989
Statutory federal income tax expense	$ 77,456	$ 64,560	$ 59,393
Increases (reductions) in taxes resulting from:			
Effect of foreign tax rates	7,080	3,489	3,835
State and local income taxes	7,007	7,001	5,744
Items without tax effect, net	3,309	11,175	7,709
Depletion	(9,384)	(12,068)	(10,038)
Tax liability reversal	(6,100)	(19,000)	—
Other, net	(668)	(4,157)	(443)
Total income tax expense—continuing operations	$ 78,700	$ 51,000	$ 66,200

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

$ in thousands/Year ended October 31,	1991	1990	1989
Use of different methods of accounting for construction contracts	$ (11,993)	$ (3,125)	$ (8,037)
Expenses not currently deductible for tax purposes	(4,599)	1,453	7,170
Deferred income	(35)	8,006	(7,782)
Other, net	1,300	2,745	(2,824)
Total	$ (15,327)	$ 9,079	$ (11,473)

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

$ in thousands/Year ended October 31,	1991	1990	1989
United States	$163,054	$145,756	$ 96,785
Foreign	64,758	44,125	77,899
Total	$227,812	$189,881	$174,684

Residual income taxes have not been provided on approximately $42 million of undistributed earnings of certain foreign subsidiaries at October 31, 1991 because the company intends to reinvest these earnings indefinitely. Other current assets includes $38.5 million and $9.4 million in 1991 and 1990, respectively, of deferred tax assets.

During 1991 the company received cash proceeds of $20 million regarding a settlement with the Internal Revenue Service relating to St. Joe Minerals for the tax years 1975 through 1981. The tax refund and interest components of this amount were $7.7 million and $12.3 million, respectively. The tax refund and $4 million of interest, net of tax, were reported as discontinued operations. The $5.8 million pretax balance of interest income was reported in continuing operations. As a result of the settlement with the IRS and resolution of other issues, certain income tax liabilities, no longer deemed necessary, were reversed reducing the company's income tax expense by $6.1 million and $19 million in 1991 and 1990, respectively.

The company has resolved all issues raised in connection with an examination of the company's Federal income tax returns for fiscal years through 1983. The resolution of these issues did not have a material adverse effect on the company's consolidated financial position or results of operations. The IRS is currently examining the company's returns for fiscal years 1984 through 1986. Management does not expect the resolution of tax issues raised by the IRS for the period under examination or subsequent periods to have a material effect on the company's consolidated financial position or results of operations.

The Financial Accounting Standards Board has issued Statement of Financial Accounting Standards No. 96 "Accounting for Income Taxes" and in early 1992 is expected to issue another statement on this subject which will supersede Statement No. 96. Implementation of changes in income tax accounting due to the new standard(s) is not required until 1994 although earlier implementation is permitted. If the company elects to restate prior years with the adoption of the new income tax accounting requirements, additional deferred income tax liabilities will be established, resulting in a reduction in shareholders' equity of approximately 10 percent as of October 31, 1991. In connection with this accounting change, net earnings in future years are expected to increase, as the additional liabilities reverse, by a cumulative amount which is substantially equal to the equity reduction. This accounting change will not have any impact on the company's liquidity or future cash flows.

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 $56 million in 1991, $52 million in 1990, and $47 million in 1989. 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/or 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 income for continuing operations defined benefit pension plans includes the following components:

$ in thousands/Year ended October 31,	1991	1990	1989
Service costs—benefits earned during the period	$ 11,806	$ 9,561	$ 3,236
Interest cost on projected benefit obligation	18,725	15,849	6,225
Income and gains on assets invested	(64,902)	(8,062)	(16,168)
Net amortization and deferral	33,521	(23,575)	5,807
Net periodic pension income	$ (850)	$ (6,227)	$ (900)

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

Year ended October 31,	1991	1990	1989
Discount rates	9.0–10.5%	9.0–10.5%	9.0%
Rates of increase in compensation levels	5.0–8.0%	5.0–8.0%	5.0–7.5%
Expected long-term rates of return on assets	9.0–10.5%	8.0–10.5%	8.0–9.0%

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

$ in thousands/At October 31,	1991	1990
Actuarial present value of benefit obligations:		
Vested benefit obligation	$ 151,156	$ 146,623
Nonvested benefit obligation	11,779	5,708
Accumulated benefit obligation	$ 162,935	$ 152,331
Plan assets at fair values (primarily listed stocks and bonds)	$ 349,316	$ 301,308
Projected benefit obligation	(218,101)	(208,123)
Plan assets in excess of projected benefit obligation	131,215	93,185
Unrecognized net gain	(43,265)	(4,834)
Unrecognized net asset at implementation	(27,589)	(33,165)
Pension asset recognized in the Consolidated Balance Sheet	$ 60,361	$ 55,186

Excludes the projected benefit obligation and an equal amount of associated plan assets relating to present and former employees of discontinued operations of $99 million and $103 million at October 31, 1991 and 1990, respectively.

Massey Coal Company participates in multiemployer defined benefit pension plans for its union employees. Pension expense related to these plans approximated $.5 million, $1 million and $.6 million in the years ended October 31, 1991, 1990 and 1989, respectively.

The company and certain of its subsidiaries provide health care and life insurance benefits for certain retired employees. The cost of such benefits for continuing operations approximated $6 million, $5 million and $5 million in 1991, 1990 and 1989, respectively, and is expensed when paid.

In December 1990, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions." The statement requires accrual of the expected cost of providing postretirement benefits during the years that employees render service. The precise impact of implementation, which is not required until fiscal 1994, is not known at this time; however, management believes the impact of adopting this statement, based on the company's current benefit programs, will not be material.

Long-Term Debt

Long-term debt comprises:

$ in thousands/At October 31,	1991	1990
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	$23,644
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	12,838	12,888
12.375% collateral trust notes, due in 1995, prepayable at par in 1992	16,359	—
12.875% collateral trust notes, due in 1997, prepayable at par in 1995	16,050	—
Other notes and mortgages	9,478	6,337
	93,408	57,908
Less: Current portion	17,726	246
Long-term debt due after one year	$75,682	$57,662

Maturities relating to long-term debt are as follows for the years ending: 1993, $30 million; 1994, $1.9 million; 1995, $.8 million; 1996, $25.6 million; and $17.4 million thereafter. All long-term debt (including current portion) outstanding at October 31, 1991, 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 $340 million, which can be converted to two-year term loans. A facility fee is paid on these lines. In addition, the company has $433 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, 1991, no amounts were outstanding under any of these lines.

The company has unsecured commercial paper outstanding at October 31, 1991 in the amount of $29.9 million. The commercial paper was issued at a discount with an effective interest rate of 5.3 percent and maturities ranging from 27 to 38 days. The weighted average maturity at October 31, 1991 was 18 days. The maximum and average balances outstanding since the inception of the program in April 1991 were $34.9 million and $28.5 million, respectively, with a weighted average interest rate of 5.8 percent.

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 the 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 121,660 shares and 123,870 shares in 1991 and 1990, respectively.

Upon exercise of an SAR, the holder receives a cash amount equal to the excess of the market value of a share of the company's common stock on the exercise date over the market value of the stock on the grant date. 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, 1991:

	Stock Options	Price Per Share	SARs	Value Per Right
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
Granted	442,540	39–44	44,070	44
Expired or cancelled	(267,456)	12–36	(18,050)	13–36
Exercised	(630,938)	12–41	(391,845)	12–36
Outstanding at October 31, 1991	2,366,759	$12–44	388,989	$12–44
Exercisable at:				
October 31, 1990	1,745,708	$12–35	548,009	$12–35
October 31, 1991	1,458,451	$12–42	242,382	$12–36
Available for grant at:				
October 31, 1990	1,362,716		74,199	
October 31, 1991	946,323*		—	

*Available for grant at October 31, 1991, includes 915,786 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 $94 million, $88 million, and $102 million, in 1991, 1990, and 1989, 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 are as follows:

$ in thousands/At October 31, 1991	
1992	$48,641
1993	46,291
1994	39,322
1995	27,205
1996	22,658
Thereafter	$86,409

At October 31, 1991 and 1990, obligations under capital leases of approximately $12 million and $14 million, respectively, are included in other noncurrent liabilities.

In July, 1991, the company purchased certain partnership interests which owned the company's leased facilities in Sugar Land, Texas. The purchase eliminated approximately $366 million of lease commitments.

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. In the opinion of management, currently identified matters will not have a material adverse effect on the company's consolidated financial position or results of operations.

Financial guarantees, made 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, 1991, the company had financial guarantees for clients and certain other unrelated third parties totaling $69 million.

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, marketable securities and nontrade receivables.

Operations by Business Segment

	Revenues			Operating Profit (Loss)		
$ in millions	1991	1990	1989	1991	1990	1989
Engineering and Construction[1]	$5,813.5	$6,383.1	$5,311.7	$166.2	$135.1	$117.4
Coal	758.5	865.8	815.5	60.7	60.3	51.0
Lead	169.7	197.4	150.4	(3.7)	36.1	38.9
Continuing Operations	$6,741.7	$7,446.3	$6,277.6	$223.2	$231.5	$207.3

	Identifiable Assets			Capital Expenditures			Depreciation, Depletion and Amortization		
$ in millions	1991	1990	1989	1991	1990	1989	1991	1990	1989
Engineering and Construction	$1,003.9	$ 985.3	$ 828.4	$ 38.9	$ 64.8	$ 58.4	$ 48.0	$ 45.7	$ 33.7
Coal	696.7	704.0	748.1	67.6	61.0	72.0	49.5	46.9	42.0
Lead	327.5	311.3	158.4	53.2	29.2	8.7	23.3	16.2	10.9
Corporate	393.3	475.2	419.4	—	0.7	0.1	0.7	1.0	0.8
	$2,421.4	$2,475.8	$2,154.3	$159.7	$155.7	$139.2	$ 121.5	$ 109.8	$ 87.4

Operations by Geographic Area

	Revenues			Operating Profit (Loss)			Identifiable Assets		
$ in millions	1991	1990	1989	1991	1990	1989	1991	1990	1989
United States[1]	$5,272.4	$6,243.7	$5,310.2	$173.6	$208.5	$195.3	$2,131.0	$2,133.2	$1,880.0
Canada	555.8	388.2	326.0	11.9	6.4	2.2	71.9	82.1	55.8
Middle East	76.1	24.4	25.2	4.6	0.7	0.5	43.1	34.0	33.0
Europe	495.2	594.6	407.2	21.8	14.3	9.8	105.5	108.5	79.8
Other	342.2	195.4	209.0	11.3	1.6	(0.5)	69.9	118.0	105.7
	$6,741.7	$7,446.3	$6,277.6	$223.2	$231.5	$207.3	$2,421.4	$2,475.8	$2,154.3

[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,	1991	1990	1989
Operating profit from continuing operations	$ 223.2	$ 231.5	$ 207.3
Interest, net	34.3	22.0	16.1
Corporate administrative and general expense	(57.0)	(51.3)	(52.7)
Reduction in accrued lease cost, net	19.6	—	—
Gain on sale of investment	16.4	—	—
Other items, net	(8.7)	(12.3)	4.0
Earnings from continuing operations before taxes	$ 227.8	$ 189.9	$ 174.7

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, 1991 and 1990, and the related consolidated statements of earnings, cash flows, and shareholders' equity for each of the three years in the period ended October 31, 1991. 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, 1991 and 1990, and the consolidated results of its operations and its cash flows for each of the three years in the period ended October 31, 1991, in conformity with generally accepted accounting principles.

Ernst & Young

Orange County, California
December 5, 1991

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
1991				
Revenues	$1,758,195	$1,701,468	$1,613,026	$1,669,009
Gross margin	49,019	51,036	55,602	58,773
Earnings from continuing operations before taxes	39,980	49,757	70,072[a]	68,003[b]
Earnings from discontinued operations	—	11,676	—	—
Net earnings	25,790	41,623	47,472	45,903
Earnings per share				
Continuing operations	.32	.37	.58	.56
Discontinued operations	—	.14	—	—
Net earnings	$ .32	$ .51	$ .58	$ .56
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[c]	40,006	40,695
Earnings per share				
Continuing operations	.35	.47	.39	.50
Discontinued operations	—	—	.10	—
Net earnings	$ .35	$ .47	$ .49	$ .50

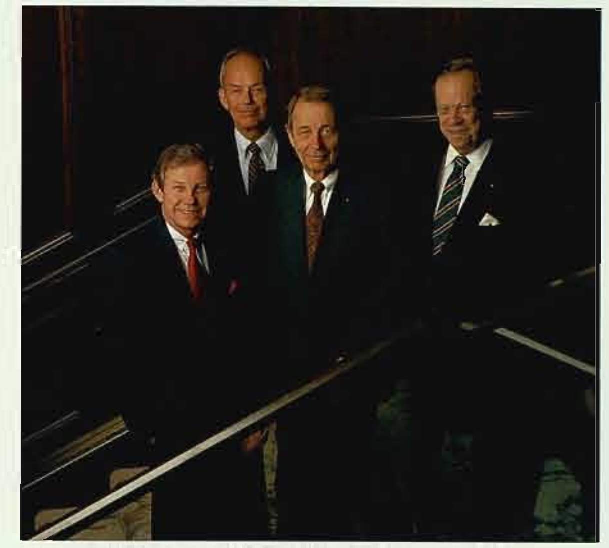
[a] Third quarter 1991 earnings includes the reversal of certain lease cost reserves of $19.6 million, net of other lease cost provisions totaling $5 million.

[b] Fourth quarter 1991 earnings includes a gain of $16.4 million related to the company's sale of its minority interest in a Bermuda-based insurer.

[c] 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.

Left to right: David S. Tappan, Jr., Buck Mickel, General Louis H. Wilson.

Left to right: Peter J. Fluor, Robert V. Lindsay, William R. Grant, Hugh K. Coble.



Left to right: Leslie G. McCraw, Admiral Bobby R. Inman, E. Morgan Massey, Dr. Allen E. Puckett (retired December 1991).

Left to right: Dr. Martha R. Seger, Vincent L. Kontny, Dr. David P. Gardner, Gerald M. Glenn.

David S. Tappan, Jr.—Retired, Chairman of the Board and Chief Executive Officer. Mr. Tappan brings over 40 years of industry experience, leadership and global perspective. He is a leader who commands universal respect in our industry and around the world. When called upon, he is always ready to help with either action or valuable insight. (1965)

Buck Mickel—Retired, Vice Chairman of the Board. A former officer of Fluor, Mr. Mickel has broad business connections and strong regional associations. His enormous creativity generates a steady stream of new business ideas and suggestions, while his client contact follow-ups are invaluable. (1977)

General Louis H. Wilson—General, U.S. Marine Corps (Retired) and former Commandant of the Marine Corps. General Wilson is a true leader. He has been instrumental in helping improve and focus Fluor's Washington D.C. office. As Chairman of the Organization and Compensation Committee, he played a key role in the management succession and transition over the past several years. (1979) [2] [4]

Years in parentheses indicate the year each Director was elected to the Board. Except as otherwise indicated, all offices are of the company.
(1) Member of the Executive Committee
(2) Member of the Audit Committee
(3) Member of the Nominating Committee
(4) Member of the Organization and Compensation Committee

Robert V. Lindsay—Retired, President of Morgan Guaranty Trust Company of New York. Mr. Lindsay's extensive banking experience both in the U.S. and abroad brings a wealth of knowledge in many of the markets we serve and he provides unique perspective. (1982) [3] [4]

William R. Grant—Chairman of the Board of Galen Associates. Mr. Grant's current position, as well as his former role as Chairman of MacKay Shields Financial Corporation, adds extensive financial community perspective to Fluor's Board. His depth of financial knowledge is invaluable to his role as Chairman of the Audit Committee. (1982) [2] [4]

Hugh K. Coble—Group President, Fluor Daniel, Inc. During Mr. Coble's 25 years with the company, his willingness to be mobile, represented by 19 moves during his career, has contributed to an unequaled knowledge and understanding of the vastness and potential of our world markets. Mr. Coble was part of the original team that conceptualized the new company, Fluor Daniel. (1984) [1]

Peter J. Fluor—President of Texas Crude, Inc. Mr. Fluor provides not only continuity from the Fluor family heritage, but much more. A leader in the oil and gas industry, an important Fluor Daniel market, Mr. Fluor is always looking for opportunities to support the company. (1984) [3] [4]

Leslie G. McCraw—Chairman of the Board and Chief Executive Officer. Mr. McCraw brings extensive experience from the client's perspective as a plant operator and purchaser of engineering and construction services from positions at Gulf Oil and Du Pont early in his career. Drawing from insights both as a client and as a provider of services, Mr. McCraw led the original team that conceptualized Fluor Daniel and served as its first President and CEO. He serves as the Chairman of the Executive Committee. (1984) [1] [3]

Admiral Bobby R. Inman—Admiral U.S. Navy (Retired). Admiral Inman was the first Naval intelligence specialist to attain the ranking of 4-Star Admiral. He served as Director of the National Security Agency and Deputy Director of the CIA. He also headed a consortium of U.S. businesses designed to ensure technology leadership in the next century. Admiral Inman brings to the Board a wealth of political insight and a perspective on technological implications. He serves as the Chairman of the Nominating Committee. (1985) [2] [3]

Dr. Allen E. Puckett—Chairman Emeritus of Hughes Aircraft Company. Dr. Puckett's career spanned the growth of Hughes from a small company to a world leader in aerospace and defense. Retiring from the Fluor Board, his knowledge of the high technology industry and business acumen will be missed. (1987-1991)

E. Morgan Massey—Chairman Emeritus, A.T. Massey Coal Company, Inc. With retirement from active management, Mr. Massey remains on Fluor's Board as an outside director. He is fourth generation Massey Coal and is nationally recognized as a leader in the coal industry. (1987)

Vincent L. Kontny—President and Chief Operating Officer. Mr. Kontny also serves as President of Fluor Daniel and was part of the original team that conceptualized the new company. Having lived and worked on seven continents, Mr. Kontny brings global experience, energy and a strong affinity for our employees. He serves as a model of ethical conduct and dedication. (1988) [1]

Dr. David P. Gardner—President, University of California. Dr. Gardner contributes valuable insight on the condition of American education and its implications for a professional services company like Fluor. Because of both the global stature of Dr. Gardner and the extent of the U.C. system, he also provides excellent international perspectives. (1988) [2] [3]

Gerald M. Glenn—Group President, Fluor Daniel, Inc. Constantly on the firing line, Mr. Glenn interfaces with clients around the clock and around the globe as head of the premier sales and marketing organization in the industry. He was part of the original team that conceptualized the new company, Fluor Daniel. (1988) [1]

Dr. Martha R. Seger—John M. Olin Distinguished Fellow, University of Arizona and former member, Board of Governors of the Federal Reserve System. Dr. Seger brings a strong background in finance and economics and extensive experience with the domestic and international banking community. Her perspective on both business and government are offered with candor and forthrightness. (1991) [2]

Corporate Executive Officers

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

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

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

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

James O. Rollans
Vice President and Acting Chief Financial
Officer (1982)

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

Corporate Officers

Betty H. Bowers
Vice President-Government Relations
(1974)

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)

Thomas H. Morrow
Vice President-Tax (1984)

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

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

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

Larry M. Hart
President, Power Operations (1967)

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

Charles R. Oliver
President, Hydrocarbon Operations (1970)

Joseph P. Panichi
Vice President, Financial Operations (1976)

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)

Other Key Executives

A. T. Massey Coal Company, Inc.

Don L. Blankenship
Chairman and Chief Executive Officer
(1982)

Wynston D. Holbrook
Executive Vice President-Sales (1972)

Bennett K. Hatfield
Chief Coordinating Officer for CSX
Operations (1983)

H. Drexel Short
Chief Coordinating Officer for Norfolk
Southern Operations (1981)

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)

Larry Vondra
Controller (1971)

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.

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 (Fluor Daniel Williams Brothers)
Vancouver (Fluor Daniel Wright)

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 and Wiesbaden,
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

Tecnofluor C.A.
Caracas, Venezuela

American Equipment Company, Inc.
Greenville, South Carolina

Duke/Fluor Daniel
Charlotte, North Carolina

SOS International
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

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 Bank, 61 Broadway, 14th Floor, Suite 1412, 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 1152, Cranford, New Jersey, Attn: Investor Relations (800) 866-2301.

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 10, 1992 at Le 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 Information

At December 31, 1991 there were 81,042,997 shares outstanding and approximately 16,500 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	Price Range Low
Fiscal 1991			
First Quarter	$0.08	$42⅜	$31⅜
Second Quarter	0.08	54¾	41⅛
Third Quarter	0.08	50⅝	43¾
Fourth Quarter	0.08	46¼	37¾
	$0.32		
Fiscal 1990			
First Quarter	$0.06	$40	$28½
Second Quarter	0.06	44¾	38¾
Third Quarter	0.06	49¼	41
Fourth Quarter	0.06	45¾	29
	$0.24		

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

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