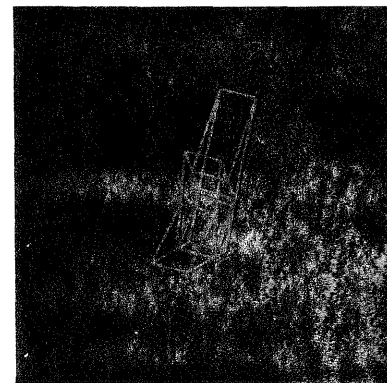
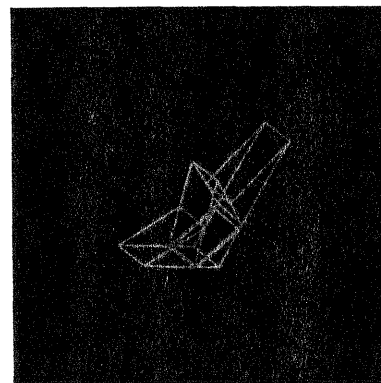
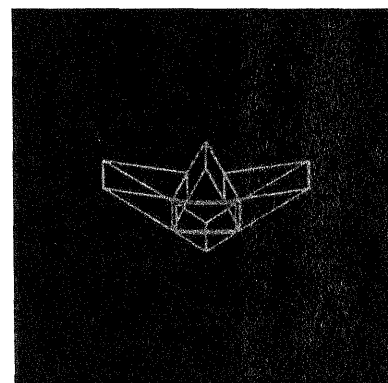
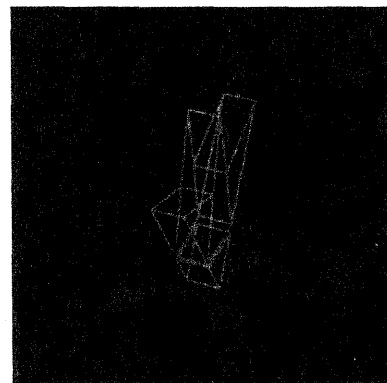
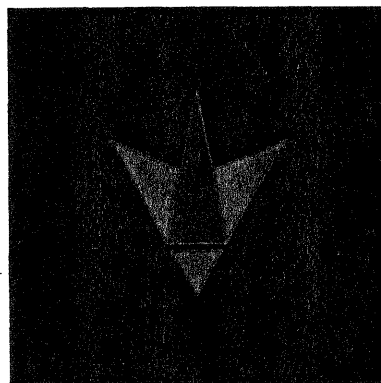
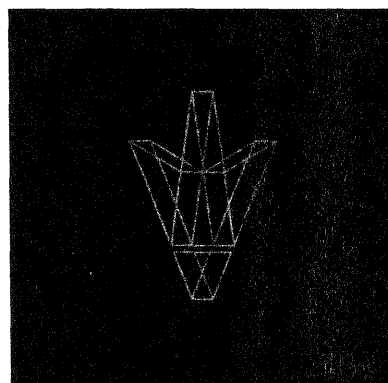
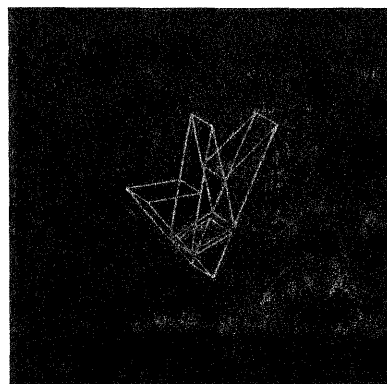
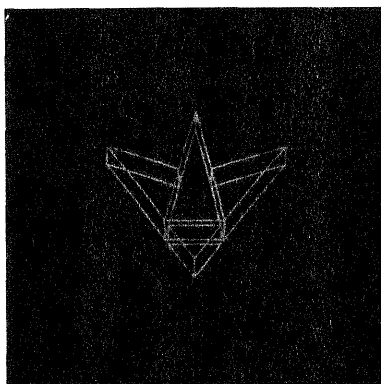
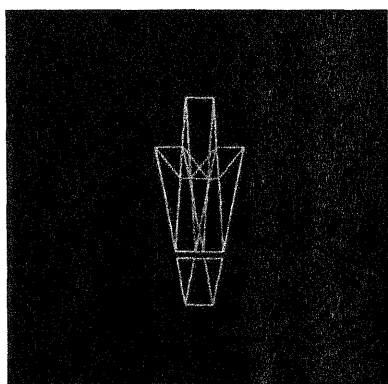




The cover of Fluor Corporation's 1984 Annual Report illustrates the state-of-the-art revolution that is under way at Fluor through the use of three-dimensional, computer-assisted plant design. The Fluor logo depicted on the cover was "drawn" once by a computer terminal operator, then rotated in space to present a variety of perspectives. This capability, when applied to complex industrial and process plants, leads to dramatic advances in engineering and construction productivity.

The key benefit of the Fluor system is the speed and accuracy it adds to the designers' ability to create, revise and perform engineering calculations on 3-D models. Size, color, angle, line weight and many other factors all are manipulated in the computer by the designers.

In its other main business, Fluor is using computer technology in the exploration for natural resources. Remote-sensing surveys from surface, aerial and satellite equipment are enhanced by computer to help geologists identify and evaluate areas which might hold valuable mineral deposits (see page 14).

Fluor Corporation provides worldwide engineering, construction, procurement, project management and maintenance services to energy, natural resources, industrial, commercial, utility and government clients. The company manages the exploration, production and marketing of natural resources—principally gold, silver, lead, zinc, iron ore and coal—and has investments in oil and gas. In addition, Fluor provides offshore contract drilling services.

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Highlights

Fluor Corporation/\$ in thousands, except per share amounts
Periods ended October 31,

Fiscal Year

Revenues from continuing operations
Earnings from continuing operations
Net earnings
Earnings per share
Continuing operations
Net earnings
Funds provided from operations
Capital expenditures
Cash dividends per common share

	1984	1983	1982
Revenues from continuing operations	\$4,401,130	\$5,300,452	\$6,740,551
Earnings from continuing operations	1,008	80,700	160,976
Net earnings	1,008	27,700	152,799
Earnings per share			
Continuing operations	.01	1.02	2.05
Net earnings	.01	.35	1.94
Funds provided from operations	123,814	339,130	488,075
Capital expenditures	285,514	301,835	525,932
Cash dividends per common share	\$.60	\$.80	\$.80

At Year End

Total assets
Capitalization
Long-term debt
Shareholders' equity
Total capitalization
Percent of total capitalization
Long-term debt
Shareholders' equity
Shareholders' equity per common share
Number of employees

Total assets	\$3,891,618	\$4,084,920	\$4,700,990
Capitalization			
Long-term debt	724,777	720,007	1,009,858
Shareholders' equity	1,696,363	1,747,249	1,776,419
Total capitalization	\$2,421,140	\$2,467,256	\$2,786,277
Percent of total capitalization			
Long-term debt	29.9	29.2	36.2
Shareholders' equity	70.1	70.8	63.8
Shareholders' equity per common share	\$ 21.49	\$ 22.19	\$ 22.68
Number of employees	32,153	34,123	43,111

Nineteen eighty-four was a tough year for Fluor, with management's actions concentrated in four areas:

- + Coping with the downward and disappointing earnings trend.
- + Adjusting to the gradual recovery in business conditions.
- + Updating our long-term strategic plan.
- + Accelerating our management succession plans.

Earnings from continuing operations in 1984 were \$1 million, down from \$81 million in 1983. Both the Engineering and Construction (E&C) and Natural Resources segments experienced earnings declines. The decrease in E&C is due primarily to the 1982/1983 downturn, one of the longest and most severe recessions on record for this industry. Lower earnings from natural resources were the result of lower precious metals prices, reduced gold production at the El Indio mine in Chile, lower foreign exchange gains and a lengthy labor disruption in the domestic lead operations.

Fluor's 50-percent owned coal operations experienced substantial earnings gains because of productivity improvements and increased volume. Oil and gas operations showed a gain in operating profits that reflects increased production from continuing ventures. Year-to-year comparisons were also improved because write-downs in

1984 were considerably lower than in 1983. Fluor's contract drilling services recorded a slight loss. Day rates remained depressed even though utilization levels improved slightly.

Net interest expense, although reduced somewhat during 1984, continued to be a major cost factor. Long-term debt, largely associated with the St. Joe acquisition, has been reduced since 1981, but ended the year up slightly from 1983. Management will continue to concentrate on debt reduction.

In response to the earnings shortfall, all of our employees have been called upon to make sacrifices as part of an aggressive cost-cutting program. Compensation for executive corporate officers as a group was cut 30 percent in 1984, and for other corporate officers an average of 14 percent. Time off with pay has been shortened one week; group insurance programs have been adjusted to reduce costs to the company; and contributions to retirement funds have been held to the minimum. Cost reduction will be an ongoing effort.

Business conditions finally began to show signs of improvement this past year. New awards for the company's largest business segment, Engineering and Construction, were the highest in three years—\$4.2 billion compared to \$1.2 billion for 1983 and \$2.9 billion for 1982. This recovery in new orders caused the E&C Group's backlog to stabilize after three years of decline. However, it is normal in the E&C business for earnings to decline while new orders are recovering, and we are experiencing that pattern.

In Natural Resources, the price recovery in base metals and coal has been uneven. Average prices

for zinc were strong, while lead prices, up from 1983 levels, were still relatively weak. Despite one of the worst recessions in the iron ore industry in decades, our results improved because product enhancements generated higher prices and increased demand. Coal demand improved, reflecting anticipation of an industry-wide strike which did not materialize. However, precious metal prices showed no change in their downward trend.

Market Conditions Change/ Strategy Amended

Important shifts are taking place in the markets we serve. The U.S. economic recovery has moderated to what should be a sustainable pace; interest rates have begun to decline; energy prices are relatively stable and inflation has been brought under control. Technological and environmental changes are also providing new opportunities, and geographic markets such as China are opening up.

In response to these economic changes and emerging opportunities, we have completed a comprehensive review of all operations. The strategic plan has been amended accordingly. We are satisfied that Fluor's engineering and construction services and natural resources management will contribute to management's business and financial objectives.

Historically, the E&C industry has offered high-growth and high-return opportunities in a growing list of industries. Today, the worldwide market potential for superior project management services is still

largely untapped. Because the E&C Group's key strength lies in its ability to manage complex and highly technical projects, regardless of size or location, our capabilities are now being offered to a broader range of industries, locations and project sizes.

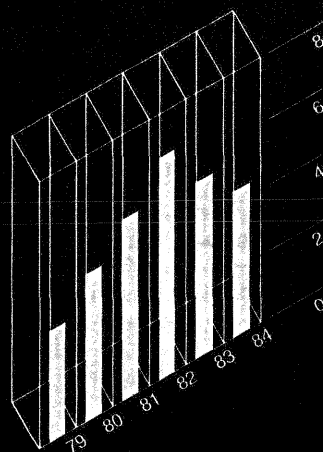
For example, Fluor has recently received awards in telecommunications, biotechnology, waste disposal and cleanup and water treatment, as well as for facilities that employ advanced electronic control systems. Also, projects are developing in revitalized industries, including transportation, infrastructure and cogeneration.

Fluor's clients in energy-related and manufacturing industries continue to represent a valued market. Also, while mega-projects—complex, billion-dollar-plus jobs—are fewer in number, they are important to our strategy.

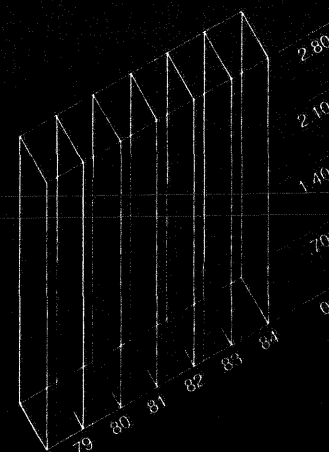
Our studies of the natural resources industry reveal a worldwide need for management skills that can successfully direct the exploration, development, financing, mining, processing, and marketing of high-grade minerals. These skills have made St. Joe a formidable competitor and low-cost industry leader.

Accordingly, our natural resources strategy is to apply our proven management skills to a broader range of mineral products and locations, without necessarily owning 100 percent of the assets involved. This diversification will reduce our vulnerability to cyclical swings and will improve our return on investment.

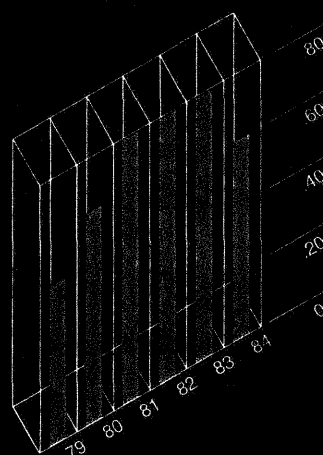
As part of the strategic review, non-operating assets were also examined to determine how they



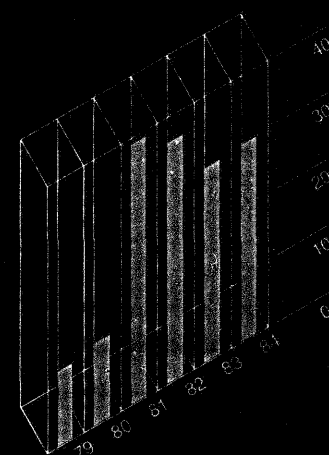
Revenues from Continuing Operations \$ in billions



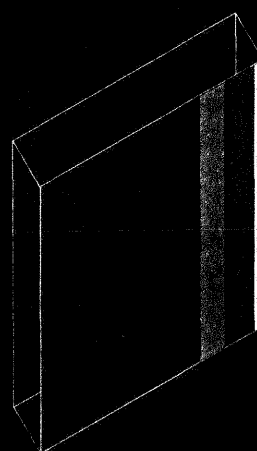
Earnings per Share from Continuing Operations dollars



Dividends per Common Share dollars

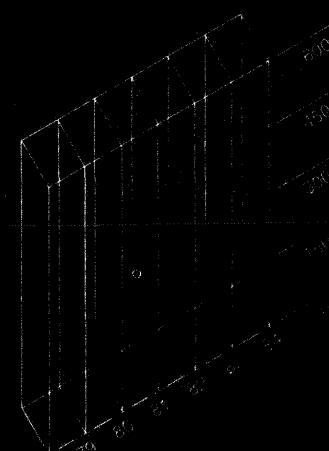


Percent of Long-Term Debt to Total Capitalization



Revenues by Segment—1984 from Continuing Operations

- E & C 72.8%
- Coal 11.1%
- Metals 9.9%
- Oil and Gas 2.3%
- Drilling 1.4%
- Other 2.5%



Capital Expenditures \$ in millions

DR 2801008

might contribute to improved performance. In past years, Fluor has made extensive investments in real estate to house and support its engineering and construction activities. These investments now represent valuable, but in some cases financially under-utilized, assets. In fiscal 1985, cash flow will be supplemented by the \$50-million sale and leaseback of our Daniel Centre building in Greenville, South Carolina, and by completion of the proposed \$340 million sale and leaseback of the Fluor headquarters site in Irvine, California. Other Fluor real estate investments are also being considered for similar transactions.

Elements of the amended strategic plan have been evolving over the past few years, and actions have already been taken:

- + Debt associated with the 1981 purchase of St. Joe has been significantly reduced.
- + Businesses which did not fit the long-term direction of the company have been sold, including the Distribution Group and certain oil and gas properties.
- + The E&C Group has expanded into new markets.
- + The Natural Resources Group has maintained an active exploration program and continued cost reductions.
- + Under-utilized assets have been identified for possible conversion into cash.

For the coming year, additional steps are planned that will add momentum to management's redirection of the company.

Financial Strategy

Fluor's financial management philosophy remains conservative. We maintained a strong balance sheet in 1984, which provides flexibility to take advantage of opportunities as they arise and adds stability during business downturns. The company enjoys investment-grade credit ratings, although lower earnings in 1984 caused the ratings to be reduced slightly. Also in response to lower earnings, the Board of Directors reduced the third quarter dividend to 10 cents per share and again paid 10 cents per share in the fourth quarter.

Over the past four years, we have engaged in a heavy capital expenditure program to expand our capacity and to ensure that our operations are at their competitive best. Capital expenditures for 1984 totaled \$286 million, bringing the four-year total to \$1.6 billion. We can now comfortably reduce capital expenditures to between \$100 million and \$150 million in 1985 and still provide modern, cost-effective facilities for our operations.

Management Succession Accelerated

The loss of J. Robert Fluor on September 9 overshadowed all other events of the year. During his tenure as Chairman and CEO, Bob led Fluor Corporation through the period of its greatest growth. Perhaps the most important legacy he left is a company where change is expected and individual initiative encouraged.

The management succession program, which has been in progress for five years, was accelerated. Several senior company executives who were also members of the Board retired, making room for the next generation of management. Retiring were

Charles W. Cox, Vice Chairman of Daniel International Corporation; Fluor Corporation Group Vice Presidents William I. McKay and Arthur C. Sheffield and Senior Vice President Ross A. McClintock. Also retiring from the Board were outside directors Charles Weiner, Chairman of Texas Crude, Inc., and Loren K. Olsen, Counsel, Morgan, Lewis & Bockius, attorneys. These directors served with distinction and have made a valued contribution to the company.

Elected to the Board were: Dean K. Allen, Chairman—Engineering and Construction Group; Hugh K. Coble, President, Fluor Engineers, Inc.; and shortly after the end of the fiscal year, Leslie G. McCraw, President and CEO, Daniel International Corporation. Also elected to the Board was Peter J. Fluor, President of Texas Crude, Inc. and son of the late J. Robert Fluor. Ages of the new directors range from 37 to 50.

Following my election as Chairman and CEO in September, Buck Mickel was appointed President, Fluor Corporation. He and Vice Chairman Charles N. Cannon are members of the newly created Office of the Chief Executive Officer.

The company is gradually emerging from a prolonged industry-wide recession. The strategy now in place is responsive to the changing business environment and our clients' needs, and we have the people, the commitment and the financial strength to execute it. Implementation of that strategy will be management's major focus in 1985, and will set the stage for resumption of the company's long-term growth.



DR 2801009

D. S. Tappan, Jr.

David S. Tappan, Jr.
Chairman of the Board and
Chief Executive Officer

January 14, 1985

In Memoriam

J. Robert Fluor, Chairman and Chief Executive Officer of Fluor Corporation since 1968, passed away September 9, 1984, of lung cancer. He was 62 years of age.

Fluor's new Chairman and CEO, David S. Tappan, Jr., observed, "By any measure, Bob Fluor was one of the most outstanding business leaders of America. But beyond that, he was a real friend."

Those thoughts are widely held.

Under his insightful leadership, Fluor Corporation grew from a small business into a premier, world-class engineering, construction and natural resources management company. Yet, if a single quality characterized Bob Fluor, it was his warmth. He loved life and illuminated it for others. He was a fiercely loyal friend and a devoted family man.

Bob felt the management role demands a long-term, world-scale commitment to profitable growth. He said, "Today's manager must position his company for the long haul. He must make decisions today on emerging markets, investments, research expenditures, training and many other factors that will affect the company's performance years down the road."

Those convictions were also full of compassion: "Our job is to manage people and to blend their individual skills to perform challenging tasks," he said. "Empathy with people is a key factor in that equation. Listening to people. Understanding people. Knowing how to work with people. Only by working together can we turn a great challenge into an even greater opportunity."

Walter Lippman once said the final test of a leader is that he leaves behind him in others the conviction and the will to carry on.

Bob Fluor met that test.



DR 2801010

Fluor's two main businesses, engineering and construction services and natural resources management, operate worldwide. The Engineering and Construction (E&C) Group is comprised of Fluor Engineers, Fluor Constructors International and Daniel International Corporation. It provides project management, design, engineering, procurement, construction, maintenance and technical services. The Natural Resources Group, which includes St. Joe Minerals Corporation and Fluor's 50 percent ownership of Massey Coal Company, conducts mining, milling, smelting, refining and exploration for new ore bodies. In addition to these two main businesses, Fluor has minority investments in oil and gas ventures through Fluor Oil and Gas, and operates an offshore contract drilling business through Fluor Drilling Services.

Engineering and Construction

Engineering and construction experienced a new order turnaround in 1984, following one of the longest downturns in the industry's history. Stimulated by demand for increased capacity from client companies, the level of new orders increased for the first time in three years and totaled \$4.2 billion by year end—more than three times

the 1983 figure. Backlog, which reversed its decline in the third quarter, appears to have stabilized, and ended the year at \$4.2 billion. Operating profit was \$95 million in 1984 on revenues of \$3.2 billion, compared to operating profit of \$211 million and revenues of \$4.1 billion in 1983.

The economic recovery that is under way has gradually impacted new orders in the engineering and construction industry. Fluor's new contracts in 1984 were mostly represented by industrial projects and first-phase awards from the energy industry. Work on these front-end assignments should give Fluor a competitive advantage in bidding for follow-on phases.

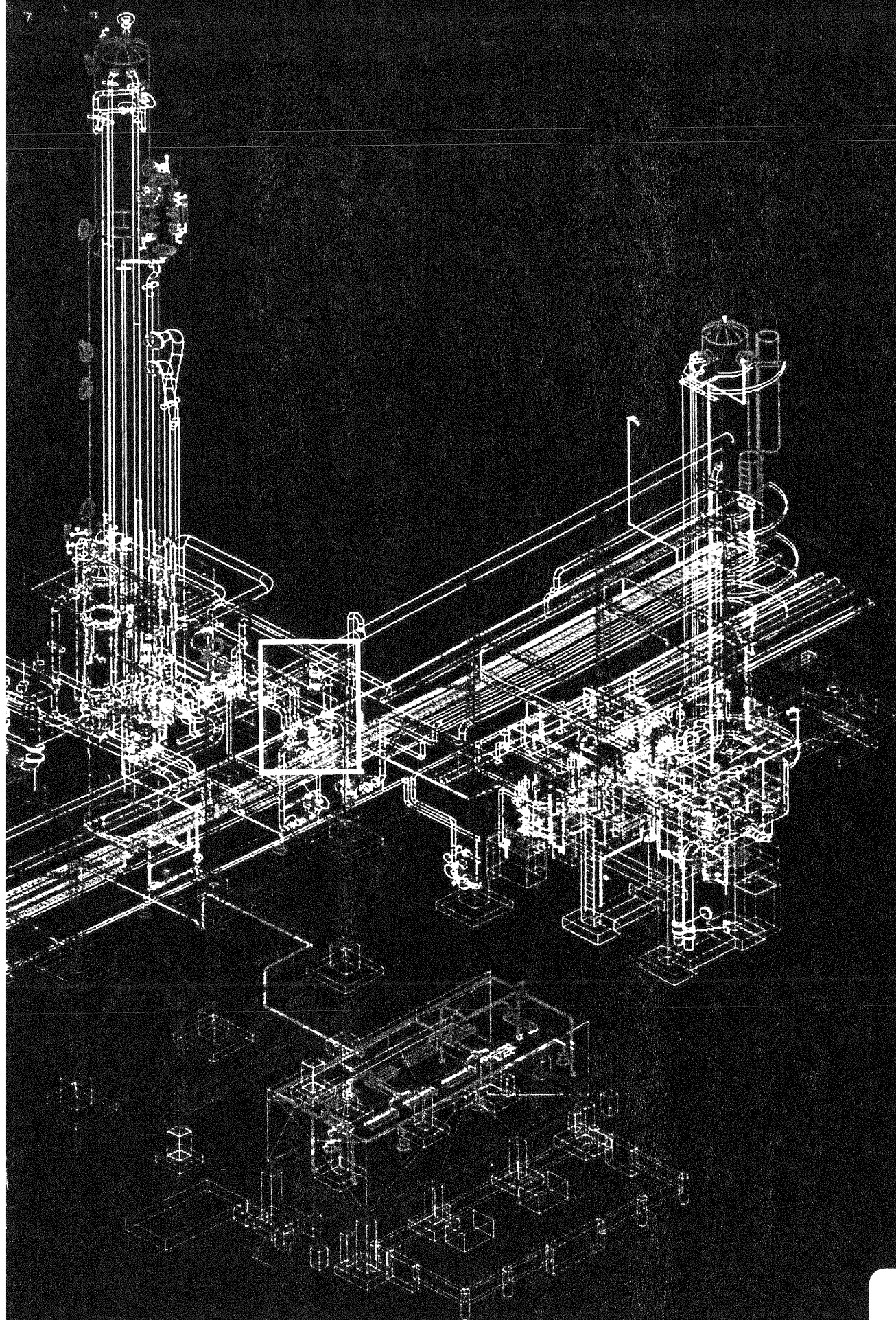
Responding to changing markets, Fluor has enlarged its regional office network to bring its engineering and project management capabilities closer to clients throughout the world. During 1984, additional engineering offices were established in California, Alaska, Virginia, Ohio and Saudi Arabia, bringing the world-wide total to 21 engineering locations.

In addition, two existing engineering offices have been expanded to provide the full range of Fluor's E&C services. The Mining and Metals office in Redwood City, California, has been reorganized as the Northern California Division, and the former Power Division's office has become the Chicago Division. These changes reflect the broader expertise and expanded roles at these regional locations.

Daniel, one of Fluor's largest E&C subsidiaries, opened a West Coast construction office, and satellite offices in several other areas where

Fluor's computer-aided design system generated this three-dimensional electronic drawing of a refinery project. Shown are isometrics of concrete (gray), electrical (green), piping (yellow), structural steel (red) and equipment (blue). Area framed in white is enlarged on page 9. The computer produces an integrated 3-D engineering model. But any segment of the design can automatically be isolated, highlighted or moved.





DR 2801012

it is most active. Daniel continued the development of its technically strong engineering capability to provide its clients with an integrated design/build capacity. It also increased its regional plant engineering services staff from 30 to over 200 in response to client needs.

During the year, Fluor expanded its computer-aided design capability into a state-of-the-art, three-dimensional system. The Southern California Division (SCD) of Fluor Engineers has completed equipment installation, user training, development of the data base and production testing. The new system generates 3-D production drawings electronically, increasing productivity and quality. During 1985, SCD will further expand its capability. The system will also be used in the production mode at Fluor offices in London and at Daniel's Greenville, South Carolina, engineering offices.

Fluor has long enjoyed a reputation for quality, and the company has enhanced this reputation and its competitive position over the past two years through a long-term quality improvement process (QIP) that will be ongoing at Fluor engineering and construction locations. The QIP involves detailed planning, education, measurement, evaluation and recognition. Its objectives: to reduce errors, improve quality, provide better client service at lower cost. Estimated savings to customers from the QIP were \$2 million in 1983, and \$5 million in 1984.

Oil and Gas Production

Offshore engineering and construction received special marketing emphasis during 1984. Fluor will apply its E&C expertise on tension leg offshore production platforms through long-term agreements with: Bethlehem Steel in the Gulf Coast and Atlantic areas; Mitsui and Samsung in the Far East; and Blohm and Voss in the North Sea.

Important awards were received in the Norwegian, Dutch and United Kingdom sectors of the North Sea, one of the most-active offshore markets in the world. Fluor's experience on two Norwegian projects—Statpipe (the world's largest offshore gas production pipeline network, for Statoil) and the recently awarded project services contract for the Mongstad refinery onshore—positions Fluor for bidding on two other major Norwegian prospects in 1985. Activity in the U.K. sector is increasing, following tax changes there that make it attractive to develop oil and gas production facilities.

In Alaska, Fluor was awarded contracts for engineering of 100,000-barrels-per-day facilities at the Lisburne oil field and for a 30,000-barrels-per-day development at Milne Point. A second-phase contract for the manufacture of modular facilities at Lisburne was awarded to Daniel following the close of the fiscal year. The Alaskan market is expected to remain active well into the next century.

The Middle East also remains an active market. During 1984, Fluor was awarded initial design of facilities for the North Field offshore Qatar, one of the world's largest natural gas reserves; gas gathering, transmission and treatment for Khuff

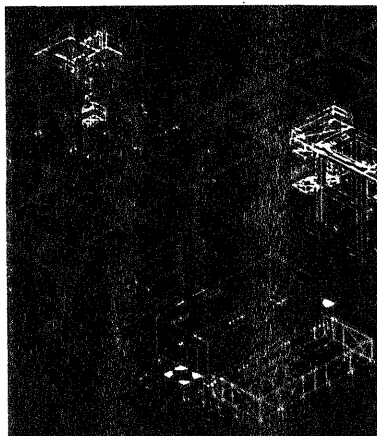
gas, the first natural gas production in Saudi Arabia; water injection facilities at the Bu Hasa Field in Abu Dhabi; and a number of petroleum development projects in Oman.

Current exploration and development in California and the Gulf of Mexico is expected to lead to major capital programs for production, pipelines and refining. During 1984, Fluor received awards for a major enhanced oil recovery project in California and for an offshore gas production platform in the Gulf. The company also continues work on the development of designs for deepwater and arctic production platforms and on new methods to produce oil and gas from marginal offshore fields.

Process Plants

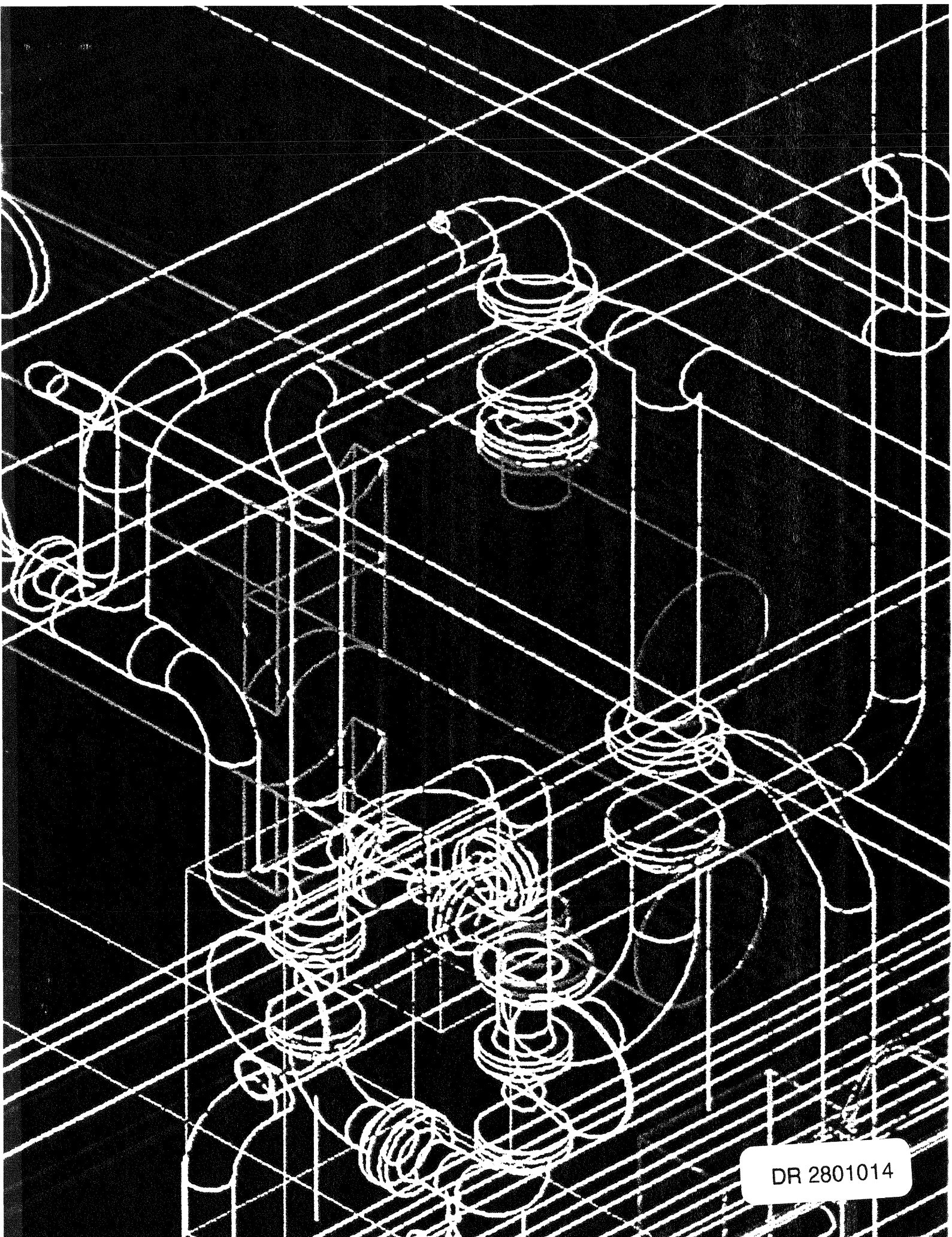
U.S. refinery contract awards include revamps and modification projects at Toledo, Ohio; Lemont, Illinois; Texas City, Texas; and Wilmington, Carson and Santa Maria, California. Reduced lead in gasoline will result in additional domestic opportunities. Fluor was also awarded control system/instrumentation upgrades at refineries in Texas and California.

In Canada, prospects are improving dramatically, particularly in heavy oil upgrading. During 1984, Fluor won front-end contracts for heavy oil upgraders planned by Syncrude Canada, Ltd., Husky Oil Co. and New Grade Energy, Inc.



DR 2801013

A "zoomed-in" view (right) of the "framed" section of the computer model on page 7 allows designers to check all details of the complex structure. The same view (left) showing only concrete (gray) and structural steel (red) has "hidden lines" removed to resemble the actual components of the plant. Hidden line removal can be done automatically at any time.



DR 2801014

These projects present major opportunities, near term, for sizable follow-on work.

In the petrochemical area, work continued on major petrochemical plants in Saudi Arabia, and the company was awarded a polypropylene expansion contract in Texas. Fluor is well positioned on two large oil shale projects in Colorado, which may obtain funding in 1985 from the U.S. Synthetic Fuels Corporation.

Fluor's joint venture agreement with SINOPEC, China's petroleum and petrochemical corporation, presents major opportunities for re-ramps and new construction in that developing market area, as well. The China section of this report describes these opportunities in detail.

Power

Cogeneration projects have been stimulated by federal legislation that permits industry to sell excess power to utility companies. Fluor Engineers and construction services of Daniel were utilized on an 18-megawatt cogeneration facility at a pharmaceutical plant in Puerto Rico. Fluor Constructors, in conjunction with Fluor Constructors, is performing engineering, procurement and construction of a steam/power plant near San Francisco—a 50-megawatt facility. In addition, Fluor Constructors has started construction on a 300-megawatt cogeneration plant near Bakersfield, California.

In all, Fluor is currently tracking more than two dozen projects in cogeneration. Following the close of fiscal 1984, the company entered into a joint venture agreement with MidCon Corp. of Lombard, Illinois, to design, construct, and possibly own and operate industrial cogeneration systems. MidCon is a diversified energy company engaged in natural gas transmission.

New order activity in the power industry has been concentrated on retrofits, plant life extension and maintenance of older plants, rather than on new construction. A two-year contract with Florida Power Corp. calls for Fluor to maintain and modify equipment that has been in operation since 1977 at the Crystal River Unit 3 nuclear plant in Florida. Daniel also won a system-wide supplemental maintenance contract for power generating stations in Texas, as well as multiple awards for quality, technical support and maintenance services to the power industry throughout the United States.

Industrial and Commercial

The general industrial/commercial sector led new order activity in 1984. Daniel, one of the largest industrial design/build contractors in the United States, received contracts in automotive, food-processing, fine chemicals, pulp and paper, electronics, pharmaceuticals and office construction.

New projects included construction management services in Delaware for a major U.S. automobile manufacturer; design, procurement and construction management for a corn wet-milling complex in Illinois; a chemicals plant in Iowa; construction jobs in Ohio and Alabama for the pulp and paper industry; the design and construction

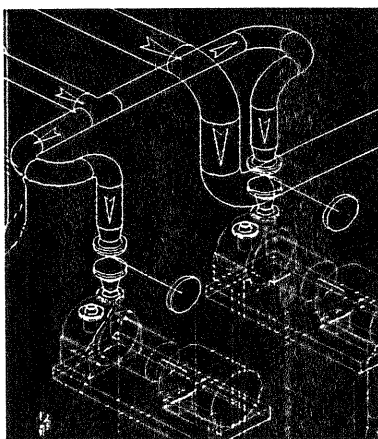
of a major plastics plant in Alabama; construction on a 17-story office building in Dallas, Texas; and semiconductor fabrication facilities in Texas and North Carolina.

Abroad, Daniel started work in South Korea on the design and construction management of an electronics assembly plant. In Puerto Rico it is providing the design and construction services to convert a synthetic fibers plant into a state-of-the-art pharmaceutical manufacturing facility. Daniel is also providing design and construction management, in cooperation with Fluor GmbH, of a catalytic converter plant in West Germany, and design and construction management of an electronics facility in Kuala Lumpur, Malaysia.

Another new market is Japanese-owned projects in the United States. Following its completion last year of the Nissan truck assembly plant in Tennessee, Daniel has continued to pursue work from Japanese clients. Currently, Daniel is tracking more than 60 industrial projects involving Japanese firms.

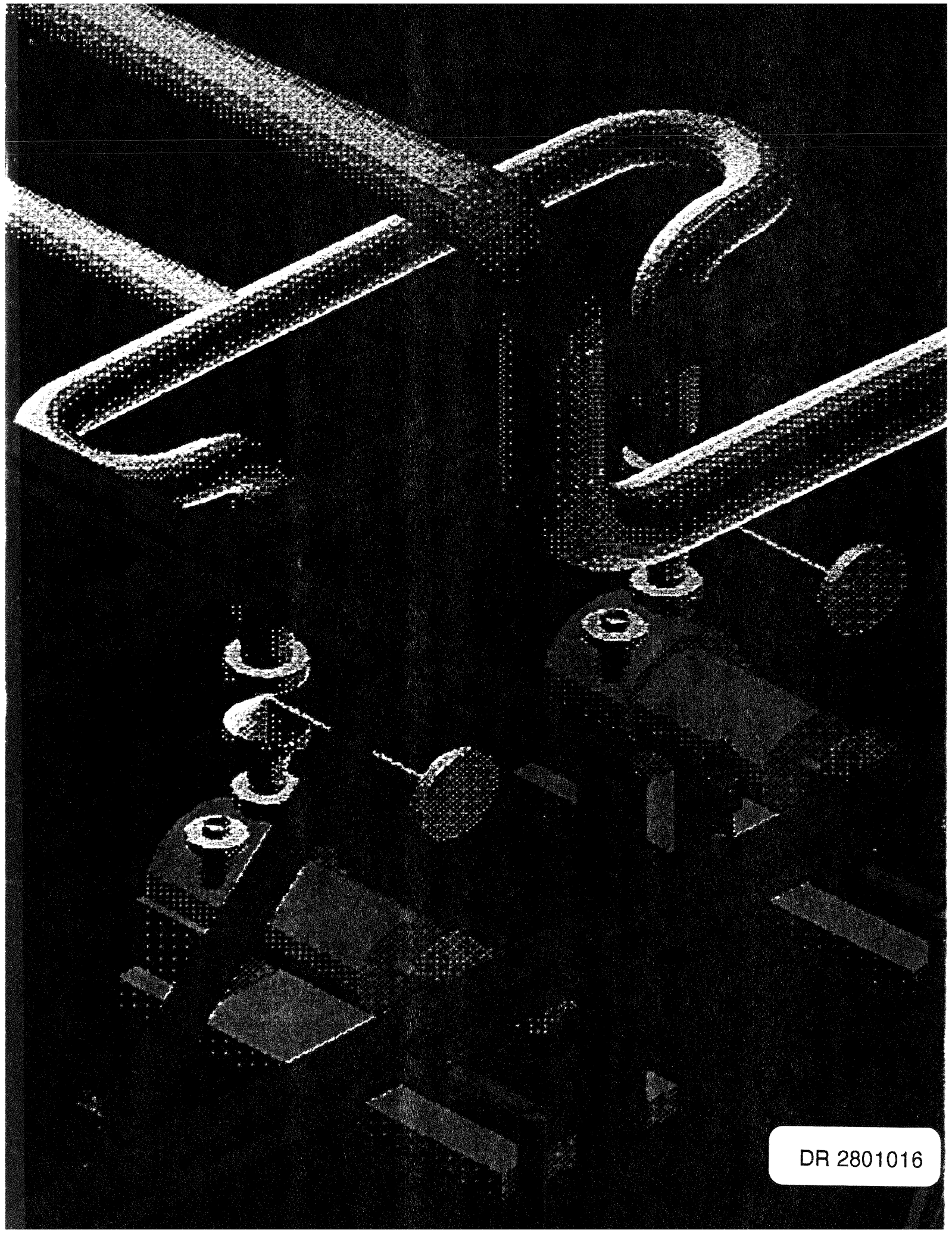
Maintenance and Plant Services

In response to client demand, Fluor has developed a long-term international commitment to maintenance and plant services operations. During 1984, Fluor Plant Services International obtained key maintenance and related plant services contracts in England, Italy, the Gulf of Suez, and Saudi Arabia. The company, headquartered in London, is now active in most market areas



DR 2801015

The segment at right shows pumps, valves, steel and pipe enlarged and shaded automatically by the computer. Images are shaded to provide a realistic 3-D representation of the model for review by the client. The computer can rotate the model to any position and then shade at the desired display angle. The same area (left) is shown in the "wire frame" mode normally used during the design process.



DR 2801016

outside the North American continent and the Caribbean, including Australia, South Africa and Saudi Arabia.

As certain large projects near completion, technical employees from these projects are being reassigned to work on maintenance and retrofit contracts. Some Daniel employees, for example, are working on maintenance and continuing service awards for large power projects in the East and Mid-West. Refinery maintenance work is being pursued from Daniel's new Long Beach, California, regional office. To assist clients further in reducing down time and maintenance costs, Daniel provides technical, quality assurance and environmental services to both new construction and existing industry.

China

The market for E&C services in the People's Republic of China (PRC) has been improving steadily in line with that nation's modernization program. Since 1978, Fluor has directed a dual focus at that market: One, to establish a track record of successful projects; and two, to develop relationships with the Chinese business establishment as a foundation for future work in China.

Just after the close of fiscal 1984, Fluor signed a 50/50 joint venture agreement with SINOPEC (the China Petrochemical International Company), one of the largest companies in China, to identify and bid

on projects relating to the modernization of that country's petrochemical industry. Prospects include design and construction management of new petrochemical plants, technical upgrading of oil refineries and management services on petroleum-related projects. Also, during 1984, Fluor concluded a joint venture agreement with the China National Nonferrous Metals Industry Corporation, which will establish Fluor as a qualified contractor for mining and milling projects throughout China.

There were seven new awards to Fluor in the PRC during 1984. Among them, Fluor was selected to provide engineering and training services for the modernization of a 435-kilometer segment of the Tieling-to-Dalian crude oil pipeline. The project includes design work to reduce energy consumption and increase efficiency of the system that currently transports 20 million tons of crude per year.

Late in the year, the China National Coal Development Corporation awarded Fluor the management of the conceptual phase of the Jinging No. 2 coal mining project. The mine is expected to begin producing four million tons of coal per year by 1990.

Fluor is also responsible for an engineering study of part of the Daqing Oil Reservoir Development, a World Bank-funded project; for consulting project management for Kodak on a photographic paper and film plant; and for conceptual design of certain offshore gas and pipeline facilities. Fluor was also active in the first two phases of the contract to expand oil shale and coal production by 60 percent at the Fushun mine.

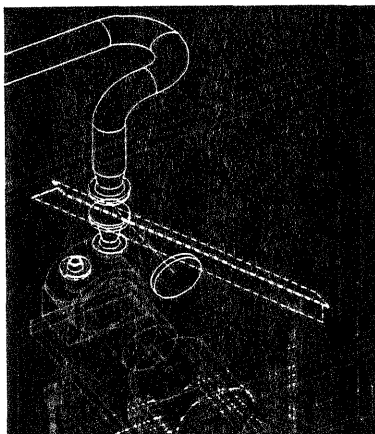
Government Projects

Fluor is involved in several large contracts for the Department of Energy (DOE), all associated with the nuclear fuel cycle. They include engineering and construction support services for the country's first gas centrifuge uranium enrichment facility, begun in 1978; design and engineering for a nuclear-waste repository in an underground salt formation, begun in 1983 and scheduled to be operational by 1998; a 1983 award for modifications to the front end of a nuclear fuel reprocessing plant; and a new, three-year contract for modifications, upgrades and additions to existing nuclear fuel processing and support facilities.

Fluor is currently under contract to four major offices of the DOE, and has performed, or is performing, projects for the Agency for International Development, the Department of Interior, the Army Corps of Engineers and NASA. Government and private-sector environmental expenditures are another market for Fluor with significant growth potential, particularly in hazardous and municipal waste disposal.

Developing Markets

Fluor's Telecommunications Services Division offers consulting, design, engineering, procurement,



DR 2801017

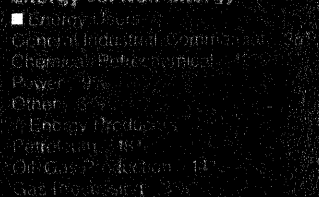
The data base stores graphic images and non-graphic data including weight, material, manufacturer and dimensions of each item in the model. The 3-D system uses this data to detect physical interferences in the design, and can display them by highlighting the conflict, as shown here. The designer can also rotate the model to check clearances visually.

project management, installation management, test and startup services to the rapidly growing telecommunications industry. Because Fluor is not a manufacturer of telecommunications equipment, the company can provide unbiased systems integration by specifying the most cost-effective and technically advanced equipment available.

Telecommunications projects won by Fluor include: a 23,000-mile nationwide fiber optics digital telecommunications system for which Fluor is providing management support services; engineering, procurement and installation of a telephone system for the United States Department of Defense; a cellular radio telecommunications system in the Gulf of Mexico in joint venture with U.S. West; engineering, procurement, installation and project management services for a digital microwave communications system in South Carolina.

In transportation and infrastructure, a mature market, opportunities are increasing, particularly in airport construction. But rail transit projects have been limited due to the lack of federal funding. The Los Angeles to San Diego high-speed rail contract awarded to Fluor in 1983 was canceled because backers were unable to raise capital funds. Water and wastewater projects have been increasing. New contracts awarded to Fluor include a wastewater treatment study in Iowa City, Iowa, and two projects for rehabilitation and new construction for the Port of Los Angeles.

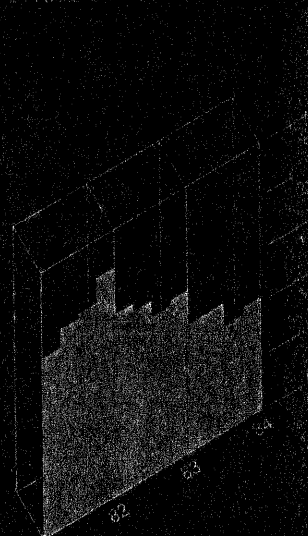
Backlog — 1984 by Client Category, Energy vs. Non-Energy



Backlog — 1974 by Client Category, Energy vs. Non-Energy



Backlog at Quarter End \$ in billions



Work Performed by Quarter \$ in billions



New Orders by Quarter \$ in billions



DR 2801018

Natural Resources

Natural Resources includes St. Joe's operations in domestic metals and in various minerals internationally and 50 percent ownership of Massey Coal Company.

Operating profits from this group were mixed in fiscal 1984, primarily due to changing prices. Overall, the group recorded operating profits of \$11 million on revenues of \$923 million in 1984, compared to 1983's operating profits of \$26 million on revenues of \$867 million.

Domestic metals' performance improved while profits from international minerals declined. Tons sold of zinc metal equivalent, iron ore pellets, and coal were all well ahead of last year. Coal posted a substantial increase in operating profit. Lead production was down, due to a prolonged labor disruption.

The drop in precious metals prices, declining average ore grades, and a one-month closure of the El Indio mine in Chile resulted in substantially lower operating profits for international minerals.

Exploration

St. Joe's worldwide exploration effort aims at discovering, delineating and acquiring rights to new,

low-cost ore bodies. Current emphasis is on precious metals, which accounted for about 60 percent of the exploration budget in 1984.

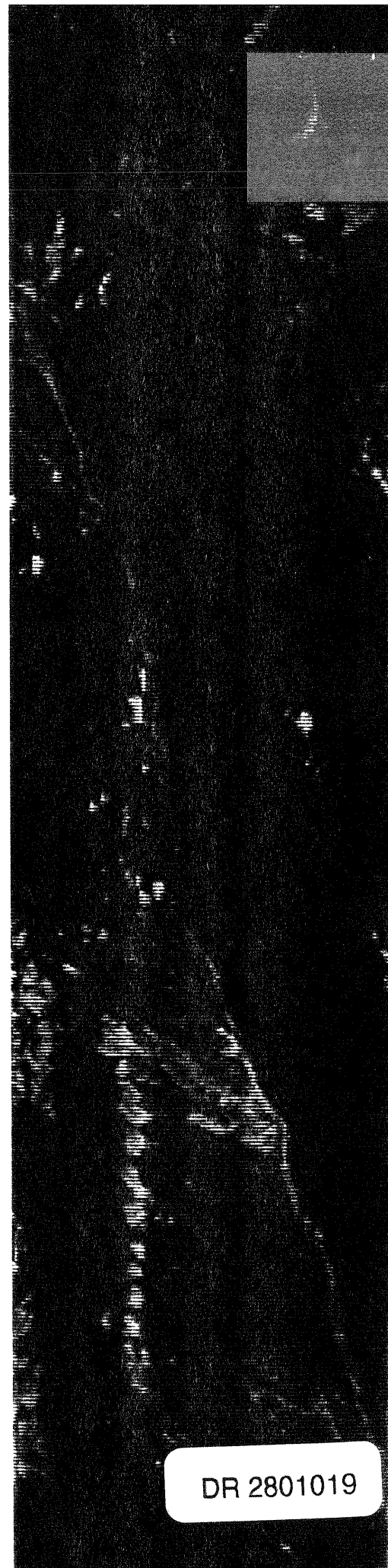
St. Joe's strategy on exploration projects involves joint ventures to provide financial leverage. In current programs in North and South America, Europe and Australia, St. Joe generally participates as a managing partner with financial backing from one or more joint-venture partners.

In South America, St. Joe is exploring several sites near the El Indio gold mine in Chile. Exploration of the Tambo property has confirmed that commercial quantities of gold and silver can be produced. In Brazil, the Mocambo tin mine has been under development throughout 1984. It will undergo pre-production testing during 1985, and is expected to begin full production in fiscal 1986. Mocambo may become a base of operations for developing St. Joe's participation in tin mining in Brazil. Also in Brazil, a joint venture with British Petroleum Minerals is evaluating the potential for an alluvial diamond operation on the Rio Araguaia. In the U.S., two gold properties are being evaluated which appear economically favorable for development.

Domestic Metals

St. Joe's Domestic Metals Corp. is the largest integrated producer of lead and zinc in the United States. (An integrated producer does mining, milling and smelting.) The corporation also produces iron ore pellets, gold and silver.

Use of aerial/satellite remote-sensing surveys and a computer helps geologists identify areas where minerals might be found. This image of a 90-square-mile section of southwest Nevada shows how the geological analysis often begins. The computer has translated scanner data into a color image that emphasizes selected features of the terrain. Framed section is enlarged on page 17.



DR 2801019



DR 2801020

The average price of lead metal increased 26 percent in 1984 compared to the previous year, but weakened in the second half. Production was down 36 percent and sales declined 23 percent due to a labor disruption which began April 1st at St. Joe's five lead mines in Missouri. Limited concentrate production was continued with supervisory and hourly employees until contract agreement was reached in mid-December of 1984. Sales have improved to the automobile battery market, the primary consumer of lead. However, demand for lead by the paint and gasoline industries has decreased.

St. Joe's new Bixby lead facility in Missouri has started commercial production, increasing overall productivity for the group. Development will continue during 1985.

The average zinc metal price increased 23 percent in 1984 reaching a record of almost 53 cents per pound, but ending the year at 45 cents per pound. St. Joe produced zinc metal equivalent at capacity to meet growing demand from the galvanizing industry.

During 1984, St. Joe acquired the operating assets of National Zinc Company, increasing the company's zinc production capacity by 55 percent to 155,000 tons per year. The acquisition enhances the value of St. Joe's zinc properties while increasing profit potential through synergies in feed material, processing and product mix. Zinc demand for corrosion protection in highway construction and new automobiles is expected to increase in 1985.

St. Joe's Pea Ridge iron ore mine complex operated at near capacity during 1984, selling about 1.3 million gross tons of iron ore pellets. This increase of 91 percent over 1983 sales reflects improved demand from selected segments in the steel industry. In addition, St. Joe is the only North American producer to add olivine to its iron ore pellets. Olivine decreases the cost of energy when producing iron from the pellets.

Domestic gold production totaled more than 15,600 troy ounces in 1984, up from 11,000 in 1983. This increase is the result of safety and efficiency improvements at the Yuba River gold-mining venture in California. St. Joe owns a two-thirds interest in the venture.

International Minerals

St. Joe International's operations produce lead, silver, zinc and copper products in Argentina, Peru and Australia; gold, silver and copper in Chile; and tin in Brazil. Operating profits were down in 1984, because of lower gold and silver prices and reduced foreign exchange gains. Production of gold,

silver and base metals declined somewhat compared with last year.

The El Indio mine in Chile sold 294,000 troy ounces of gold in 1984 and 1.0 million troy ounces of silver, compared to 362,000 troy ounces of gold and 926,000 troy ounces of silver in 1983. Gold production fell because of unusually severe weather that closed the mine for over a month and because of a decline in average gold content of the ore.

In Argentina, St. Joe's Aguilar mine produced concentrates containing 30,000 tons of lead, 36,000 tons of zinc and 1.4 million troy ounces of silver. By comparison, 1983 production was 32,000 tons of lead, 37,000 tons of zinc and 1.6 million troy ounces of silver. A new tunnel connecting the mine to its nearby milling operations was inaugurated during 1984—an efficiency improvement that will contribute to lower-cost production.

St. Joe's Peruvian operations produced concentrates containing 29,000 tons of zinc from the mining and milling operations at Santander, compared to 1983 production of 35,000 tons. The mine at Madrigal produced concentrates containing 15,000 tons of zinc, 7,000 tons of lead and 403,000 troy ounces of silver.



DR 2801021

A segment (right) of the aerial survey on page 15 has been enlarged by computer to show the individual picture elements—pixels. The color of each pixel indicates the average geological makeup of a 900-square-meter area that may be considered for exploration. Another exploration tool, a digital image contour map (left), was created by computer in a fraction of the time required to do the job manually.

DR 2801022

Coal

Massey Coal Company is a major domestic coal producer, owned and managed through a 50/50 joint venture between St. Joe and the Scallop Coal Corporation, a member of the Royal Dutch/Shell group of companies. Massey's production capacity from more than 25 mining complexes is greater than 20 million tons per year. Its coal reserves total more than one billion tons.

Total sales of produced coal in 1984 were 20 million tons, up 2 million tons from 1983. This production increase was brought about as a direct result of a combined program of cost reduction and safety that cut Massey's lost-time incident rate by 30 percent compared to last year. The unit cost of production was reduced through productivity increases, process improvements and the closure of several high-cost mines. Massey further benefited from higher-than-usual stockpiling by customers in anticipation of a major strike in October, which didn't occur. However, several of Massey's union mines, representing a small percentage of production, were struck at year end.

During 1984, the company renegotiated four sales contracts for providing steam coal to utilities.

The renewed agreements increase tonnage to an aggregate of more than eight million tons per year at improved terms over a contract life of 20 years or more. In addition, Massey acquired two major, fully equipped, low-sulfur coal properties with production capacity of one million tons per year each.

Oil and Gas

Fluor Oil and Gas participates solely as a minority investor in oil and gas ventures, primarily in the United States. The sale of certain foreign properties caused revenues to decline to \$99 million from last year's \$136 million. However, because of the reduction of write-downs which impacted profits last year, operating profits increased to \$30 million in 1984 from \$16 million in 1983. There was also an overall increase in production from continuing ventures.

The Prinos Oil Field, offshore Greece, produced 26,500 barrels of oil per day—record annual production for this field. Fluor has a 14 percent interest. In Argentina, the Centenario Field, in which Fluor holds a 49 percent interest, produced about 4,100 barrels per day, a 20 percent increase over last year. Additional development wells are expected to be drilled and completed in 1985 as part of a price renegotiation with the government. The Ramos Gas Field (Fluor's interest is 25 percent) maintained its contract production rate of 50 million cubic feet of gas and 1,500 barrels of oil per day. In Indonesia, Fluor holds a 10 percent interest in several oil fields in Irian Jaya that are producing a steady average of

about 32,000 barrels per day, total. In line with Fluor's current emphasis on domestic investment, all foreign exploratory drilling commitments were completed during 1984.

Domestic activities cover areas in the Gulf of Mexico and offshore California. On the Tricia blocks in the Santa Maria Basin, a discovery well tested at a combined rate of 2,400 barrels of low-gravity oil per day. A delineation well tested at a combined rate of 1,000 barrels per day of similar-quality crude. Additional drilling and testing are planned to determine the commercial value of this project in which Fluor's interest is approximately 14 percent.

Exploration continued in the Gulf of Mexico, with Shell Oil as operator. Development drilling also continued, as well as installation of platforms and production equipment. Initial production of gas from at least two discoveries and continued exploratory drilling are planned for 1985. Capital investments of \$30 million are designated for domestic projects during 1985, of which 65



DR 2801023

This aeromagnetic survey has been computer enhanced to resemble a photograph. Magnetic peaks and valleys have been shaded by computer for optimum emphasis of magnetic data. By this method, subtle features that would be difficult to recognize on a magnetic contour map can be accented for rapid evaluation.

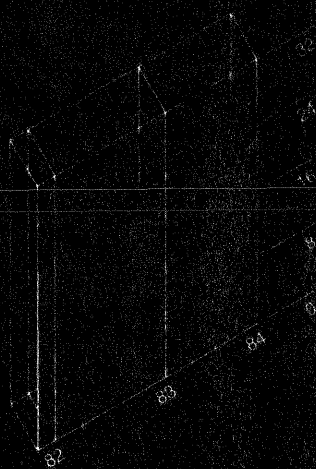
percent will be spent on tracts off the Gulf Coast. Fluor's interests in these wells range from seven to eleven percent.

Drilling

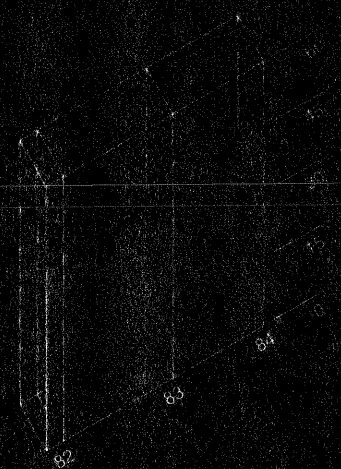
Fluor Drilling Services provides contract drilling services to the off-shore petroleum industry. For 1984, revenues were \$62 million, down from \$86 million in 1983; and operating profits which totaled \$4 million in 1983, declined to a loss of \$2 million in 1984. The loss reflects competitive conditions which kept day rates depressed.

Fluor's fleet of six jackups, three platform rigs, one barge and two self-propelled drillships are active around the world. At the close of the fiscal year, there were two rigs contracted in the South China Sea, one offshore Nigeria and one offshore Indonesia. Fluor's Coral Division ended the year with all seven of its rigs contracted in the Gulf of Mexico, bringing the utilization rate in the Gulf to an average of 91 percent for the year. The industry average in the Gulf was 84 percent.

Day rates firmed slightly, but remained depressed. Nevertheless, more than 2,000 new exploration leases awarded in the Gulf since May 1983 have resulted in increases of 400 to 600 percent in bidding opportunities, giving reason for optimism that day rates will improve.



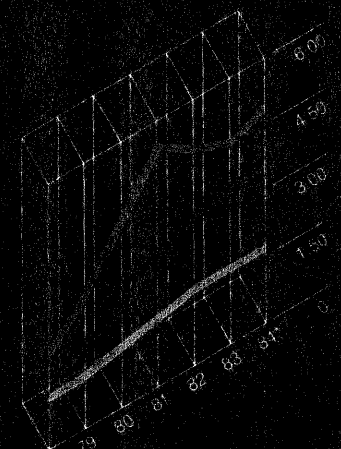
Monthly Average Lead Prices for fiscal years ending October 31, cents per pound
Source: Metals Week



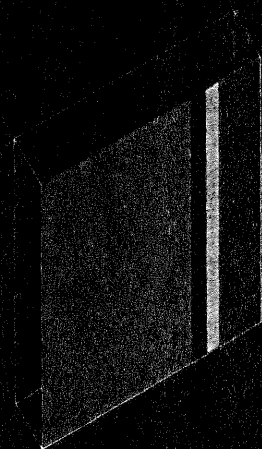
Monthly Average Zinc Prices for fiscal years ending October 31, cents per pound
Source: Metals Week



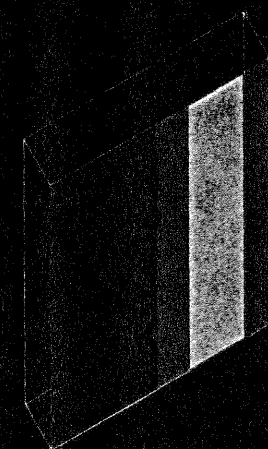
Gold Price History (dollars) - average price per troy ounce for fiscal years ending October 31
Source: Metals Week



Price of Oil, Natural Gas, and Coal Delivered to U.S. Electric Utilities \$ per million Btu
Oil - Gas - Coal
Data through July 1984
Source: Monthly Energy Review



U.S. Lead Metal Consumption by Market Segment - 1984
Batteries - 68.1
Gas Additives - 7.0
Pigments - 6.6
Other - 18.3



U.S. Zinc Metal Consumption by Market Segment - 1984
Galvanizing - 47.9
Brass and Bronze - 13.5
Die Casting - 26.6
Other - 12.0

Operations Statistics

Engineering and Construction

\$ in thousands/Years ended October 31,

	1984	1983	1982	1981	1980	1979
Work Performed	\$4,458,238	\$6,335,741	\$ 7,526,128	\$ 7,295,853	\$ 6,557,957	\$ 4,803,000
Revenues	3,205,987	4,105,172	5,384,723	4,812,191	4,129,766	3,112,311
Operating Profit	94,604	210,676	228,587	227,980	184,382	154,750
New Orders	4,151,261	1,244,553	2,908,822	7,100,552	9,113,746	5,876,721
Backlog	\$4,194,247	\$5,610,687	\$10,711,815	\$16,166,292	\$15,917,558	\$12,135,512
Manpower	16,353	18,998	24,498	25,858	23,601	20,402

Backlog by Industry and Location

\$ in millions

	\$ 1984	%	\$ 1983	%	\$ 1982	%	\$ 1981	%	\$ 1980	%	\$ 1979	%
General Industrial	927	21.9	145	2.6	371	3.4	636	3.9	358	2.2	240	2.0
Petroleum	737	17.4	1,254	22.1	2,217	20.5	3,287	20.1	2,431	15.1	635	5.2
Paper	548	13.0	238	4.2	479	4.4	235	1.4	216	1.3	179	1.5
Chemical/Petrochemical	506	12.0	1,011	17.8	2,413	22.3	4,199	25.6	3,459	21.5	592	4.9
Oil and Gas Production	492	11.7	37	.7	124	1.1	95	.6	331	2.1	740	6.1
Power	370	8.8	1,310	23.1	1,760	16.3	2,728	16.6	2,744	17.1	3,128	25.7
Gas Processing	133	3.1	738	13.0	1,634	15.1	1,945	11.9	2,979	18.5	2,795	22.9
Oil, Gas and Coal Transport	89	2.1	—	—	—	—	—	—	—	—	—	—
Mining/Metals	67	1.6	279	4.9	761	7.0	1,406	8.6	1,062	6.6	582	4.8
Synfuels	—	—	48	.9	215	2.0	831	5.1	1,922	11.9	2,935	24.1
Other	325	7.7	551	9.7	738	6.8	804	4.9	415	2.6	310	2.4

Total Engineering and Construction

Drilling	30	.7	59	1.0	114	1.1	220	1.3	177	1.1	56	.4
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Total

	4,224	100.0	5,670	100.0	10,826	100.0	16,386	100.0	16,094	100.0	12,192	100.0
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United States

	2,868	67.9	2,579	45.5	4,695	43.4	7,075	43.2	6,423	39.9	4,375	35.9
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Outside U.S.

	1,356	32.1	3,091	54.5	6,131	56.6	9,311	56.8	9,671	60.1	7,817	64.1
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Total

	4,224	100.0	5,670	100.0	10,826	100.0	16,386	100.0	16,094	100.0	12,192	100.0
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Backlog includes owners' cost of approximately

8%	34%	35%	33%	28%	45%
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Fluor earns a fee on this portion of backlog which will not ultimately be recorded as revenues.

Metals

\$ in thousands/Years ended October 31,

	1984	1983	1982	1981	1980	1979
Revenues	\$433,741	\$429,000	\$440,019	\$108,839	*	*
Operating Profit (Loss)	\$ (3,894)	\$ 32,664	\$ 46,203	\$ 19,716	*	*
Manpower	9,236	8,000	8,232	8,045	7,462	7,269

International Operations**

(in short tons except as noted)

Lead Content of Concentrates Sold	28,725	35,576	40,184	32,933	32,570	32,527
Zinc Content of Concentrates Sold	49,875	52,140	62,819	52,554	66,369	48,951
Copper Content of Products Sold	23,784	20,848	12,509	2,503	2,171	—
Gold Content of Products Sold (Troy Ounces)	293,514	361,588	368,081	171,023	130,586	14,028
Silver Content of Products Sold (Troy Ounces)	2,462,124	2,732,631	2,677,057	1,819,314	2,014,737	1,649,539

Domestic Operations

(in short tons except as noted)

Lead Content of Concentrates Produced	137,618	215,984	207,776	168,317	239,171	244,923
Lead Metal Sold	169,080	220,823	205,573	170,638	199,573	237,299
Zinc Content of Concentrates Produced	76,862	87,315	77,947	59,592	58,162	22,386
Zinc Metal Equivalent Sold	113,738	100,459	75,207	46,212	50,172	173,970
Iron Pellets Sold (Gross Tons)	1,283,262	672,341	786,354	970,682	780,041	230,135
Silver Content of Products Sold (Troy Ounces)	657,766	609,658	702,359	751,459	930,992	441,908
Gold Content of Products Sold (Troy Ounces)***	10,423	7,199	—	—	—	—

*Financial data for St. Joe Minerals Corporation are included from the date of acquisition, August 3, 1981. Other information for St. Joe for periods prior to August 3, 1981 is shown for comparative purposes only.

**Does not include Peruvian production.

***Represents 66⅔% ownership.

Coal

\$ in thousands/in thousands of short tons
Years ended October 31,

	1984	1983	1982	1981	1980	1979
Revenues	\$489,634	\$437,455	\$446,883	\$130,974	*	*
Operating Profit (Loss)	\$ 14,800	\$ (6,824)	\$ 2,624	\$ 9,155	*	*
Manpower	4,709	5,145	5,959	5,432	4,880	4,386
Steam Coal Produced	7,998	7,102	6,873	5,269	5,163	4,447
Metallurgical Coal Produced	2,168	2,084	2,155	1,787	1,826	1,918
Produced Coal Sold	9,982	9,192	8,837	7,054	7,010	6,330
Purchased Coal Sold	1,931	1,461	1,741	3,869	3,945	2,616

Represents 50% of Massey's operations for all periods, except manpower which is 100%.

*Financial data for St. Joe Minerals Corporation are included from the date of acquisition, August 3, 1981. Other information for St. Joe for periods prior to August 3, 1981 is shown for comparative purposes only.

Oil and Gas

In thousands, except manpower
Years ended October 31,

	1984	1983	1982	1981	1980	1979
Revenues	\$99,353	\$135,785	\$225,816	\$99,379	\$67,483	\$37,335
Operating Profit	\$29,485	\$ 15,659	\$ 69,651	\$34,342	\$34,483	\$20,186
Manpower	47	92	274	263	190	159
Oil Sold, Barrels	3,439	4,347	4,932	3,586	2,357	2,053
Gas Sold, Mcf	10,883	12,013	26,451	23,625	23,605	19,329
Net Proved Reserves of Oil, Barrels	18,284	26,984	30,669	34,295	28,171	28,623
Net Proved Reserves of Gas, Mcf	141,858	158,040	163,879	197,790	164,575	169,338

Drilling

\$ in thousands/Years ended October 31,

	1984	1983	1982	1981	1980	1979
Revenues	\$61,914	\$85,682	\$127,499	\$109,203	\$ 85,374	\$73,161
Operating Profit (Loss)	(1,675)	4,132	60,400	39,687	25,197	11,991
New Orders	37,942	35,571	7,986	147,185	203,602	83,454
Backlog	\$29,987	\$59,015	\$114,073	\$219,456	\$176,791	\$56,187
Average Rig Utilization Rate	74%	71%*	89%	96%	98%	89%
Manpower	550	581	756	731	670	650

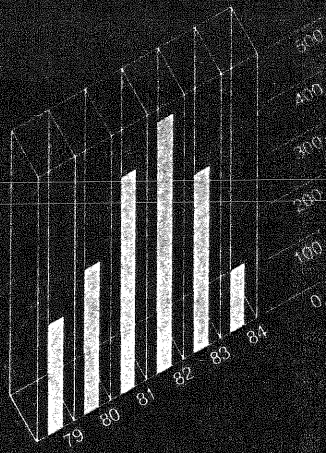
*Restated to exclude three obsolete rigs.

Other*

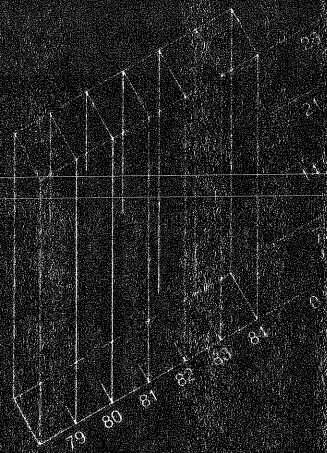
\$ in thousands/Years ended October 31,

	1984	1983	1982	1981	1980	1979
Revenues	\$110,501	\$107,358	\$115,611	\$97,007	\$64,343	\$50,792
Operating Profit (Loss)	\$ (16,136)	\$ 17,422	\$ 20,788	\$ 1,903	\$ 7,618	\$10,068
Manpower	1,258	1,307	1,285	1,514	1,029	1,212

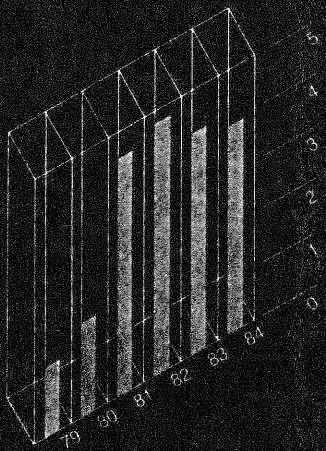
*Includes all intercompany eliminations.



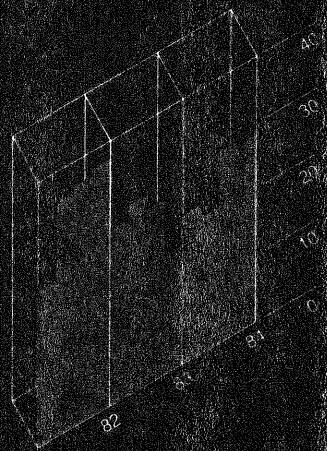
Funds Provided from Operations \$ in millions



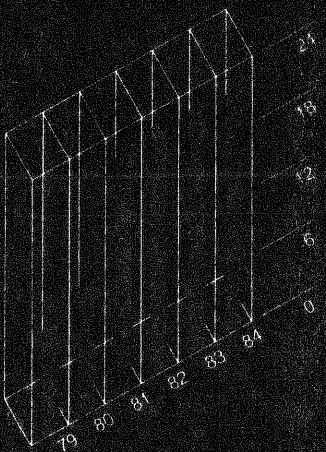
Return on Average Shareholders' Equity percent



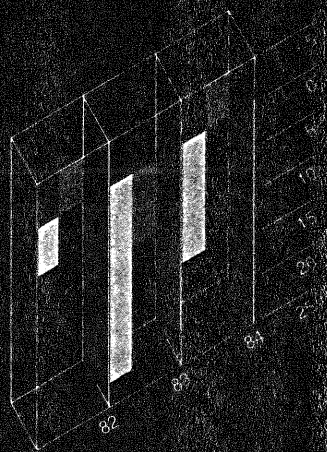
Total Assets \$ in billions



Quarterly Interest Expense from Continuing Operations \$ in millions



Shareholders' Equity Per Share dollars



Employees percent change from previous year
■ E&C
■ Natural Resources Other
■ Corporate

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Results of Operations

Consolidated earnings from continuing operations in 1984 were \$1 million compared to \$81 million in 1983 and \$161 million in 1982. Related earnings per share were \$.01 for 1984 compared to \$1.02 and \$2.05 in 1983 and 1982, respectively. Both earnings and earnings per share from continuing operations declined 99% in 1984 after decreasing 50% in 1983. Revenues from continuing operations declined 17% in 1984 following a 21% decline in 1983.

Net earnings for 1983 and 1982 reflect net losses from discontinued operations of \$53 million and \$8 million, respectively, relating to the company's former Distribution Group. The 1983 loss from discontinued operations consisted of operating losses of \$27 million and a provision of \$26 million for expected losses from disposal. During 1984, the company completed divestiture of the Group with no significant variances in reserve estimates.

The company's effective income tax rate increased from 53% in 1983 to 92% in 1984 primarily due to the decline in earnings before income taxes and the increased effect of certain nondeductible expenses associated with the acquisition of St. Joe, which remained relatively stable. Partially offsetting these nondeductible items was statutory depletion which increased significantly over 1983.

Engineering and Construction

Contract awards for engineering and construction services were the highest in three years. New awards increased in 1984 to \$4.2 billion from \$1.2 billion in 1983 and \$2.9 billion in 1982. However, backlog continued to decrease during the period from \$10.7 billion at October 31, 1982 to a low of \$3.7 billion in the second quarter of 1984, recovering to \$4.2 billion at year-end. Revenues declined 22% to \$3.2 billion in 1984 compared to a 24% decline in 1983 due to the depressed level of new awards in 1982 and 1983 and completion of several major contracts awarded in prior years.

Operating profit decreased significantly to \$95 million in 1984 compared to \$211 million in 1983 and \$229 million in 1982. These operating results reflect the reduced level of business, price competition and higher relative indirect costs compared to the volume of work performed. Manpower was 14% lower in 1984 compared to 1983 and 22% lower in 1983 compared to 1982.

St. Joe

Metals operations incurred an operating loss of \$4 million on revenues of \$434 million in 1984 compared to operating profit and revenues of \$33 million and \$429 million and \$46 million and \$440 million in 1983 and 1982, respectively. Sales prices and volumes for base metal commodities increased over 1983 except lead volume which was significantly lower than the prior two years due to the strike at St. Joe's southeast Missouri

mining operations, which began in April 1984 and was settled in December. Precious metals prices and volumes were significantly lower during 1984 compared to 1983. The decline in gold volume was mainly due to the one month closure of the El Indio mine in Chile as a result of unusually severe weather conditions and reduced gold content of products sold. Foreign exchange gains in 1984 were significantly lower than 1983, which included realized gains from retirement of debt at preferential exchange rates.

Revenues and operating profit from coal operations in 1984 were \$490 million and \$15 million, respectively, compared to \$438 million in revenues and an operating loss of \$7 million in 1983. Revenues and operating profit in 1982 were \$447 million and \$3 million, respectively. Improved results in 1984 reflect higher volumes of coal sold and lower costs resulting from improved operating efficiencies and closure of several high cost mines. Sales volumes were higher in part because of customer stockpiling in anticipation of a major mine workers' strike that did not occur.

Oil and Gas

The decline in revenues for the Oil and Gas Group to \$99 million in 1984 from \$136 million in 1983 and \$226 million in 1982 primarily reflects the absence of revenues from oil and gas properties sold during the three year period. Higher oil and gas volumes and prices in Argentina and Greece during 1984 partially offset the effect of the sale of several foreign properties completed in March 1984. Operating profit increased from \$16 million in 1983 to \$30 million in 1984. Included in the 1983 results is a \$33 million write-down for certain unsuccessful foreign oil and gas exploration while 1984 results include only \$7 million of such write-downs. Excluding these write-downs, operating profit decreased \$12 million from 1983 to 1984 mainly due to the effect of the sale of producing properties in 1984.

Decreases in revenues and operating profit of 40% and 77%, respectively, in 1983 compared to 1982 reflects the sale of the producing oil and gas properties of Coquiná Oil Corporation at the beginning of fiscal 1983. Operating profit was also lower in 1983 due to the previously mentioned \$33 million write-down.

Drilling Services

Revenues declined to \$62 million in 1984 from \$86 million in 1983 due to competitive conditions that have kept day rates at depressed levels. Although rig utilization increased from 71% in 1983 to 74% in 1984, day rates, after declining significantly in 1983, have remained depressed in 1984. Operating profit declined from \$4 million in 1983 to an operating loss of \$2 million in 1984 due to the same conditions affecting revenues. The 1983 results include an \$11 million write-off of three obsolete rigs. Operating results for 1984 and 1983 are significantly lower than in 1982 due to the worldwide slowdown in drilling activity and the resultant price competition from an oversupply of offshore rigs.

Other Operations

The operating loss in other operations was primarily the result of significantly lower operating profit for equipment sales and leasing and an operating loss in the company's residential and commercial construction operations. Equipment sales and leasing operating profit was down \$16 million to nearly break-even in 1984 compared to 1983. This was primarily the result of earnings recognized upon the closure of several significant projects on a completed-contract basis in 1983 compared to a lower level of business activity in 1984.

Operating profit for the residential and commercial construction operations declined from \$1 million in 1983 to an operating loss of \$8 million in 1984. The 1984 loss includes a provision for estimated losses on disposal of this operation.

Financial Position and Liquidity

In 1984, the company adopted a new format for reporting changes in financial position. Previously, the company reported changes in working capital but now reports changes in cash and short-term investments. This new reporting format was selected because management believes it more clearly presents funds flow from operations, financing and investment activities. Funds provided from operations now consist of net earnings, charges or credits to earnings that do not affect cash or short-term investments, and interest expense, net of tax, which management believes is more appropriately classified as payments to investors. For 1984, funds provided from operations were \$124 million compared to \$339 million and \$488 million in 1983 and 1982, respectively. The decline in this amount primarily reflects the decline in earnings over the three year period in addition to the significant reduction in deferred income taxes in 1984. Deferred taxes have been reduced due to completion of several major contracts which have for tax purposes been accounted for under the completed-contract method of accounting. In addition, the company has entered into a Closing Agreement with the Internal Revenue Service (IRS) whereby earnings previously deferred for income tax purposes on certain contracts in process at October 31, 1983 will be recognized for tax purposes at that date. Accordingly, tax payments will be substantially in excess of income tax expense over the next two to three years. (For additional discussion of the Closing Agreement with the IRS, see page 35.)

In 1984 funds were used for payments to investors consisting of cash dividends on common stock of \$47 million and interest expense, net of tax, of \$52 million. The quarterly dividend was reduced midyear from \$.20 per share to \$.10 per share.

Capital expenditures used \$286 million of funds in 1984 compared to \$302 million in 1983. Major expenditures for 1984 were for completion of the company's office facilities in Sugar Land, Texas, and the acquisition of two coal mine operations and National Zinc Company's zinc smelter and related equipment. Asset dispositions included the sale of certain foreign oil and gas properties for \$66 million. In addition, \$127 million was provided by completion of the disposition of Distribution Group net assets.

Funds provided from financing activities amounted to a total of \$127 million in 1984. The net increase in long-term debt including current maturities is primarily the result of the assumption of \$49 million of debt in connection with the acquisition of certain coal mine operations. In addition, \$55 million was provided under nonrecourse oil and gas financing on certain producing properties. Financing activities in 1983 included a net reduction in current and long-term debt of \$438 million. Funds for this purpose were generated by sales of assets and net funds available from operations. The long-term debt to capitalization ratio at October 31, 1984 was 29.9% compared to 29.2% and 36.2% at October 31, 1983 and 1982, respectively.

The company has access to sufficient sources of funds to meet its operating needs. Short- and long-term lines of credit are maintained with banks and the company has an active commercial paper program which provides adequate operating liquidity. Under the terms of a joint venture agreement, the net assets of Massey Coal Company are restricted from distribution without the prior approval of the partners. As of October 31, 1984, Fluor's proportionate 50 percent share of Massey's net assets, which are consolidated in the accompanying financial statements, is approximately \$650 million of which \$100 million is working capital. Distributions of funds to the company as approved by the partners amounted to \$33 million in 1984.

In October 1984, the company announced it had reached an agreement in principle to sell its Irvine complex for \$340 million. Upon completion of the sale, the company would continue to occupy the corporate headquarters and engineering buildings under a long-term lease. The financial statements and footnotes do not reflect the proposed sale of this property. Funds generated would be used to reduce debt and for general corporate purposes. The sale/leaseback under an operating lease of the company's engineering facility in Greenville, South Carolina was completed in December 1984; accordingly, the cost of the facility is classified in the October 31, 1984 balance sheet as assets held for sale. Proceeds were used to retire long-term debt. The executory agreement for the sale and leaseback of the company's newly constructed office facility in Sugar Land, Texas will not be consummated.

For a discussion of the effects of inflation, see pages 42 and 43.

Selected Financial Data

Fluor Corporation/\$ in millions,
except per share amounts

	1984	1983	1982	1981	1980	1979
Operating Results						
Revenues from continuing operations	\$ 4,401.1	\$ 5,300.5	\$ 6,740.6	\$ 5,357.6	\$ 4,347.0	\$ 3,273.6
Earnings from continuing operations before income taxes	12.4	171.8	301.4	265.1	231.8	171.2
Earnings from continuing operations	1.0	80.7	161.0	144.0	124.2	92.5
Net earnings	1.0	27.7	152.8	158.9	133.6	100.3
Earnings per share						
Continuing operations	.01	1.02	2.05	2.56	2.57	1.88
Net earnings	.01	.35	1.94	2.82	2.76	2.04
Dividends per share						
Series B preferred	—	—	—	—	.75	3.00
Common	\$.60	\$.80	\$.80	\$.80	\$.65	\$.49
Financial Position						
Current assets	\$ 1,025.9	\$ 1,146.0	\$ 1,541.4	\$ 1,460.9	\$ 956.2	\$ 674.9
Current liabilities	1,016.4	1,090.2	1,488.4	1,296.1	775.2	538.6
Working capital	9.5	55.8	53.0	164.8	181.0	136.3
Property, plant and equipment, net	2,338.2	2,379.8	2,493.9	2,527.0	622.7	476.4
Total assets	3,891.6	4,084.9	4,701.0	4,491.3	1,726.6	1,283.8
Capitalization						
Long-term debt	724.8	720.0	1,009.9	1,104.8	79.3	59.1
Shareholders' equity	1,696.4	1,747.2	1,776.4	1,683.2	567.5	460.8
Total capitalization	\$ 2,421.2	\$ 2,467.2	\$ 2,786.3	\$ 2,788.0	\$ 646.8	\$ 519.9
Percent of total capitalization						
Long-term debt	29.9	29.2	36.2	39.6	12.3	11.4
Shareholders' equity	70.1	70.8	63.8	60.4	87.7	88.6
Shareholders' equity per common share	\$ 21.49	\$ 22.19	\$ 22.68	\$ 21.55	\$ 11.89	\$ 9.70
Common shares outstanding	78,945,585	78,746,717	78,327,685	78,092,814	47,718,300	46,597,646
Other Data						
New orders received during year	\$ 4,189.2	\$ 1,280.1	\$ 2,916.8	\$ 7,247.7	\$ 9,317.3	\$ 5,960.2
Backlog at end of year	4,224.2	5,669.7	10,825.9	16,385.7	16,094.3	12,191.7
Capital expenditures	285.5	301.8	525.9	448.1	225.3	99.7
Depreciation, depletion and amortization for continuing operations	195.2	233.7	215.0	94.0	49.4	45.3
Funds provided from operations	\$ 123.8	\$ 339.1	\$ 488.1	\$ 417.5	\$ 275.3	\$ 218.2
Number of employees	32,153	34,123	43,111	44,170	27,304	23,506

DR 2801030

Management's Report and Auditors' Opinion

Fluor Corporation

Management's Report

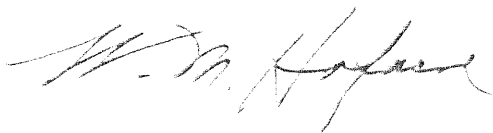
The accompanying consolidated balance sheet and the related consolidated statements of earnings, shareholders' equity and changes in financial position have been prepared in conformity with generally accepted accounting principles, and we believe that they present fairly the company's financial position 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, a system of internal controls, designed to protect the company's assets and properly record transactions and events as they take place, has been developed and maintained. This system of internal controls is supported by an extensive program of internal audits.

The Board of Directors pursues its responsibility for financial information through its Audit Committee, which is composed of Directors who are not employees. Both the internal auditors and the independent auditors have free access to the Audit Committee and periodically the Committee meets with them and with management in order to monitor the accounting affairs of the company.

At the recommendation of the Audit Committee, Arthur Young & Company has been selected by the Board of Directors, and approved by the Shareholders, to serve as independent certified public accountants for the company. Arthur Young & Company provides expert advice on the application of generally accepted accounting principles and has the responsibility of examining and rendering an objective, independent opinion on management's financial statements.



George W. Mefferd
Group Vice President and
Chief Financial Officer



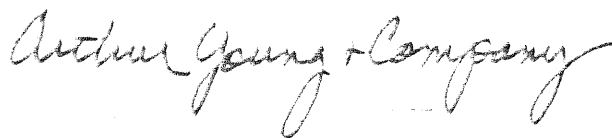
William M. Hofacre
Vice President and Controller

Auditors' Opinion

Board of Directors and Shareholders
Fluor Corporation

We have examined the accompanying consolidated balance sheet of Fluor Corporation at October 31, 1984 and 1983, and the related consolidated statements of earnings, shareholders' equity and changes in financial position for each of the three years in the period ended October 31, 1984. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. In 1984 and 1983 the accounts of Massey Coal Company, a 50% owned joint venture, and in 1982 certain assets and operations of St. Joe Minerals Corporation, a consolidated subsidiary, were examined by other independent auditors; insofar as our opinion on the consolidated financial statements relates to such assets and operations, which constituted 14% and 11% in 1984, 13% and 8% in 1983 and 34% and 14% in 1982 of consolidated assets and revenues, respectively, it is based solely on their reports.

In our opinion, based on our examinations and the reports of other independent auditors, the accompanying consolidated financial statements present fairly the consolidated financial position of Fluor Corporation at October 31, 1984 and 1983, and the consolidated results of operations and changes in financial position for each of the three years in the period ended October 31, 1984, in conformity with generally accepted accounting principles applied on a consistent basis during the period.



Orange County, California
December 7, 1984

Consolidated Statement of Earnings

Fluor Corporation/In thousands, except per share amounts
Years ended October 31,

	1984	1983	1982
Revenues			
Engineering and construction services	\$3,205,987	\$4,104,454	\$5,383,755
Natural resources	1,022,728	1,002,240	1,116,541
Drilling and other	172,415	193,758	240,255
Total revenues	4,401,130	5,300,452	6,740,551
Cost of Revenues			
Engineering and construction services	3,103,202	3,890,531	5,158,087
Natural resources	982,050	955,652	1,000,788
Drilling and other	197,501	171,594	146,391
Total cost of revenues	4,282,753	5,017,777	6,305,266
Other Income and Expense			
Corporate administrative and general expense	46,361	47,200	53,738
Interest expense (net of capitalized interest of \$29,249, \$30,877, and \$45,808, respectively)	96,908	98,718	131,829
Interest income	(37,337)	(35,043)	(51,705)
Total costs and expenses	4,388,685	5,128,652	6,439,128
Earnings from Continuing Operations Before Income Taxes	12,445	171,800	301,423
Income Taxes	11,437	91,100	140,447
Earnings from Continuing Operations	1,008	80,700	160,976
Discontinued Operations			
Loss from operations of discontinued Distribution Group (net of income tax benefit of \$22,952 in 1983 and \$8,067 in 1982)	—	(27,000)	(8,177)
Loss on disposal of Distribution Group, including provision for estimated operating losses during phase-out period (net of income tax benefit of \$15,538)	—	(26,000)	—
Loss from Discontinued Operations	—	(53,000)	(8,177)
Net Earnings	\$ 1,008	\$ 27,700	\$ 152,799
Earnings Per Share			
Continuing operations	\$.01	\$ 1.02	\$ 2.05
Net earnings	\$.01	\$.35	\$ 1.94
Shares Used to Calculate Earnings Per Share	79,057	78,956	78,589

See Notes to Consolidated Financial Statements.

DR 2801032

+ **Consolidated Balance Sheet**

Fluor Corporation/\$ in thousands/October 31,

	1984	1983
Assets		
Current Assets		
Cash and short-term investments	\$ 94,642	\$ 145,713
Notes receivable	86,653	59,602
Accounts receivable	352,231	362,040
Contract work in progress	211,840	238,436
Inventories	193,061	159,052
Net assets held for sale	40,143	127,103
Other current assets	47,310	54,057
Total current assets	1,025,880	1,146,003
Property, Plant and Equipment—at cost		
Land	68,776	64,382
Buildings and improvements	490,273	341,584
Machinery and equipment	853,809	788,330
Drilling and marine equipment	225,839	217,575
Mining properties and mineral rights	817,594	789,027
Oil and gas properties	544,406	615,469
Construction in progress	20,482	136,635
	3,021,179	2,953,002
Less accumulated depreciation, depletion and amortization	682,933	573,169
Net property, plant and equipment	2,338,246	2,379,833
Other Assets		
Excess of cost over net assets of acquired companies, net of accumulated amortization of \$49,901 and \$38,649, respectively	423,085	434,337
Other	104,407	124,747
Total other assets	527,492	559,084
	<u>\$3,891,618</u>	<u>\$4,084,920</u>

See Notes to Consolidated Financial Statements.

	1984	1983
+ Liabilities and Shareholders' Equity		
+ Current Liabilities		
Notes payable	\$ 48,611	\$ 63,560
Accounts payable	215,311	291,958
Advance billings on contracts	77,553	143,449
Accrued salaries and wages	53,591	74,277
Accrued benefit plan liabilities	50,331	73,024
Other accrued liabilities	164,231	143,692
Current portion of long-term debt	138,267	55,610
Income taxes currently payable	135,374	101,384
Deferred income taxes	133,121	143,201
Total current liabilities	1,016,390	1,090,155
+ Long-Term Debt Due After One Year	724,777	720,007
+ Other Noncurrent Liabilities		
Deferred income taxes	196,906	307,276
Other	257,182	220,233
Total other noncurrent liabilities	454,088	527,509
+ 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 \$.62½ par value; issued and outstanding in 1984—78,945,585 shares and in 1983—78,746,717 shares	49,341	49,217
Additional capital	1,067,549	1,065,431
Retained earnings	597,007	645,117
Unamortized executive stock plan expense	(10,310)	(12,516)
Cumulative translation adjustments	(7,224)	—
Total shareholders' equity	1,696,363	1,747,249
	<u>\$3,891,618</u>	<u>\$4,084,920</u>

Consolidated Statement of Changes in Financial Position

Fluor Corporation/\$ in thousands/Years ended October 31,

	1984	1983	1982
Funds Provided from Operations			
Earnings from continuing operations	\$ 1,008	\$ 80,700	\$ 160,976
Depreciation, depletion and amortization	195,243	233,714	214,988
Interest expense, net of tax	52,330	53,308	71,188
Deferred income taxes	(120,450)	13,787	49,796
Other items, net	(4,317)	10,477	(12,125)
Funds provided from continuing operations	123,814	391,986	484,823
Funds provided (used) by discontinued operations	—	(52,856)	3,252
Funds provided from operations	123,814	339,130	488,075
Net decrease (increase) in operating working capital	(149,301)	207,678	(52,193)
Net funds available from (used by) operations	(25,487)	546,808	435,882
Payments to Investors			
Cash dividends paid	(47,281)	(62,868)	(62,581)
Interest expense, net of tax	(52,330)	(53,308)	(71,188)
Total payments to investors	(99,611)	(116,176)	(133,769)
Investment Activities			
Additions to property, plant and equipment	(285,514)	(301,835)	(525,932)
Net book value of property, plant and equipment sold or retired	131,179	181,595	202,078
Sale of investment in Peabody Holding Company	—	44,787	—
Decrease (increase) in net assets held for sale	86,960	40,797	(167,900)
Decrease in noncurrent notes receivable	21,500	47,527	53,407
Other, net	(7,576)	59,739	(64,033)
Net funds provided (utilized) by investment activities	(53,451)	72,610	(502,380)
Financing Activities			
Issuance of long-term debt	317,755	82,167	838,026
Reduction of long-term debt	(312,985)	(372,910)	(925,693)
Net increase (decrease) in borrowings due currently	67,708	(147,718)	182,276
Proceeds from nonrecourse oil and gas financing	55,000	—	—
Net funds provided (utilized) by financing activities	127,478	(438,461)	94,609
Increase (decrease) in cash and short-term investments	(51,071)	64,781	(105,658)
Cash and short-term investments at beginning of period	145,713	80,932	186,590
Cash and short-term investments at end of period	\$ 94,642	\$ 145,713	\$ 80,932

See Notes to Consolidated Financial Statements.

DR 2801035

Consolidated Statement of Shareholders' Equity

Fluor Corporation/\$ in thousands,
except per share amounts
Years ended October 31, 1982, 1983 and 1984

	Common Stock	Additional Capital	Retained Earnings	Unamortized Executive Stock Plan Expense	Cumulative Translation Adjustments	Total
Balances at November 1, 1981	\$48,808	\$1,056,868	\$590,067	\$(12,544)	\$ —	\$1,683,199
Net earnings			152,799			152,799
Cash dividends (\$.80 per share)			(62,581)			(62,581)
Exercise of stock options—net	84	862				946
Amortization of executive stock plan expense				2,058		2,058
Issuance of restricted stock—net	63	1,750		(1,815)		(2)
Balances at October 31, 1982	48,955	1,059,480	680,285	(12,301)		1,776,419
Net earnings			27,700			27,700
Cash dividends (\$.80 per share)			(62,868)			(62,868)
Exercise of stock options—net	173	2,980				3,153
Amortization of executive stock plan expense				3,021		3,021
Issuance of restricted stock—net	89	2,971		(3,236)		(176)
Balances at October 31, 1983	49,217	1,065,431	645,117	(12,516)		1,747,249
Net earnings			1,008			1,008
Cash dividends (\$.60 per share)			(47,281)			(47,281)
Exercise of stock options—net	88	1,343				1,431
Amortization of executive stock plan expense				3,290		3,290
Issuance of restricted stock—net	36	775		(1,084)		(273)
Cumulative translation and related deferred tax adjustments as of November 1, 1983			(1,837)		(3,285)	(5,122)
Translation adjustment for the period					(3,939)	(3,939)
Balances at October 31, 1984	\$49,341	\$1,067,549	\$597,007	\$(10,310)	\$(7,224)	\$1,696,363

See Notes to Consolidated Financial Statements.

Fluor Corporation

+ **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 investments where ownership ranges from 20 percent to 50 percent and for corporate joint ventures. The company consolidates its 50 percent proportionate share of the accounts of Massey Coal Company. All significant intercompany transactions are eliminated.

Certain 1983 and 1982 amounts have been reclassified to conform with the 1984 presentation.

Engineering and Construction Contracts

The company recognizes revenues on engineering and construction contracts on the percentage-of-completion method, primarily based on contract costs incurred to date compared with total estimated contract costs, and on manhours incurred to date compared with total estimated manhours for the construction of certain power plants. Changes to total estimated contract costs or manhours and 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, 1984, will be billed and collected in 1985. Amounts received from clients in excess of revenues recognized to date are classified as current liabilities under advance billings on contracts.

During the fourth quarter of 1984, the company fully adopted the provisions of the "Construction Contractors Audit and Accounting Guide," issued by the American Institute of Certified Public Accountants. As a result, qualifying contracts awarded on or after November 1, 1983 have been segmented between engineering and construction efforts. Accordingly, gross margin related to engineering or construction activity is recognized as those services are performed. Management believes that this change, with which the company's independent certified public accountants concur, will more clearly relate revenue and earnings recognized to the value of services provided and will provide improved reporting of engineering and construction activities.

Prior periods have not been restated to reflect these changes as the effects on prior interim and annual periods are immaterial.

Exploration and Development

Oil and Gas—The company accounts for its oil and gas operations under the full cost method of accounting. Depreciation, depletion and amortization is provided on the unit-of-production method based upon proved reserves.

Metals—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 and charged to expense on the straight-line method over periods approximating the life of the mine. Subsequent maintenance and underground development expenditures are charged to expense.

Coal—Development costs of specific coal properties, when expected to be significant, are capitalized in mining properties and depleted on the unit-of-production method.

Other Depreciation and Amortization

Depreciation is provided using principally the straight-line method to amortize the cost of the assets over their estimated useful lives. Leasehold improvements are amortized over the lives of the respective leases. The excess of cost over net assets of acquired companies is being amortized on the straight-line method, primarily over 40 years.

Income Taxes

Deferred income taxes are provided for items taken into account in different periods for financial and tax reporting purposes. A significant timing difference has been the use of the completed-contract method of accounting for U.S. income tax reporting, whereas the percentage-of-completion method is used for financial reporting purposes. The portion of deferred income taxes relating to engineering and construction contracts estimated to be completed after one year from the date of the balance sheet is classified as noncurrent. Other significant timing differences are depreciation, depletion and amortization of natural resource properties, capitalized interest and accelerated depreciation.

In December 1984, the company entered into a Closing Agreement with the Internal Revenue Service which provides, among other things, that certain engineering and construction subsidiaries of the company will no longer utilize the completed-contract method of accounting for income taxes. This change is effective for fiscal year 1984 and subsequent years. Consequently, the provision for income taxes for the year ended October 31, 1984 and the related income tax liability accounts reflect the terms of the Closing Agreement.

Investment and other tax credits are applied as a reduction of the provision for federal income taxes under the flow-through method of accounting.

Earnings Per Share

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

Foreign Currency Translation

In 1984 the company adopted Statement of Financial Accounting Standards No. 52, "Foreign Currency Translation." Under the provisions of Statement No. 52, the effects of translating foreign subsidiaries' financial statements are recorded in a separate component of shareholders' equity. Previously, these translation effects were included in the determination of earnings in the period in which they occurred. The financial statements for prior periods have not been restated as the effects of this change are immaterial.

Net foreign currency exchange gains included in the determination of earnings approximated \$1,000,000 in 1984, \$24,000,000 in 1983 and \$7,000,000 in 1982.

The changes in the cumulative translation adjustments for 1984 were as follows:

\$ in thousands	
Balance at November 1, 1983	\$(3,285)
Translation adjustments	(7,294)
Deferred income taxes on translation adjustments	3,355
Balance at October 31, 1984	<u>\$(7,224)</u>

Consolidated Statement of Changes in Financial Position

During 1984 the company adopted a cash flow format for its consolidated statement of changes in financial position. Prior years' statements have been reclassified to reflect this change. The major changes from the previous format are that funds provided from operations now include the effects of deferred taxes classified as current as well as noncurrent and short-term borrowings have been reflected as funds provided from financing activities. In addition, interest expense, net of tax, has been excluded from operating funds flows and is reflected as funds used for payments to investors.

The changes in operating working capital as shown in the consolidated statement of changes in financial position are comprised of the following:

\$ in thousands	1984	1983	1982
(Increase) decrease in:			
Notes and accounts receivable	\$ (17,242)	\$162,372	\$(45,725)
Contract work in progress and inventory	(7,413)	243,546	30,896
Other current assets	6,747	13,463	(3,404)
Increase (decrease) in:			
Accounts payable and accrued liabilities	(99,487)	(124,305)	(27,675)
Advance billings on contracts	(65,896)	(82,458)	2,450
Income taxes currently payable	33,990	(4,940)	(8,735)
Net (increase) decrease in operating working capital	<u>\$(149,301)</u>	<u>\$207,678</u>	<u>\$(52,193)</u>

Inventories

Inventories comprise the following:

\$ in thousands	1984	1983
Coal, metals and processed minerals	\$102,366	\$ 67,787
Supplies and other	90,695	91,265
	<u>\$193,061</u>	<u>\$159,052</u>

Inventories are stated at the lower of cost (using the last in, first out (LIFO) method, except for inventories of supplies and other which are on the average cost method) or net realizable value.

The current replacement cost of LIFO inventories at October 31, 1984 and 1983 exceeded the related LIFO value by \$4,766,000 and \$2,530,000, respectively.

Retirement Plans

The company and certain of its subsidiaries have contributory and noncontributory profit-sharing and pension plans covering substantially all of their employees. Expense for these plans, including amortization of prior service costs over 10 to 40 years, was \$54,804,000 in 1984, \$78,869,000 in 1983 and \$102,338,000 in 1982.

As of the dates indicated below, accumulated plan benefits and plan net assets for the defined benefit retirement plans of certain subsidiaries and the proportionate share of a corporate joint venture are as follows:

\$ in thousands/November 1,	1983	1982
Actuarial present value of accumulated plan benefits		
Vested	\$119,535	\$103,479
Nonvested	12,014	10,208
	<u>\$131,549</u>	<u>\$113,687</u>
Net assets available for benefits	<u>\$152,528</u>	<u>\$123,364</u>

The actuarial present value of accumulated plan benefits was determined using assumed rates of return ranging from 5 to 9 percent.

Discontinued Operations

During the fourth quarter of fiscal 1983, the company adopted a plan to dispose of the Distribution Group through sale or liquidation. At October 31, 1983, the net assets of the Group, consisting primarily of inventories, trade receivables and warehouse facilities were classified as current assets under assets held for sale at estimated net realizable value. As of October 31, 1984 the company had completed the disposition of the Distribution Group.

Fluor Corporation

+ Long-Term Debt

Long-term debt consisted of the following:

\$ in thousands	1984	1983
Commercial paper and promissory notes, average interest rate 9.6% at October 31, 1984	\$130,876	\$ 41,974
Pollution control and industrial revenue bonds, 6% to 8.9%, due in varying amounts from 1988 through 2013 (net of unamortized discount of \$8,194 and \$8,601, respectively)	113,385	112,159
Promissory note, effective interest rate 15.6%, due in installments from 1985 through 1987	100,000	100,000
Eurodollar notes, 14% coupon rate, effective interest rate 13.5%, due in 1989	100,000	100,000
Eurodollar zero coupon debentures, effective interest rate 14%, due in 1990 (net of unamortized discount of \$76,229, and \$7,702, respectively)	70,748	5,588
Serial zero coupon notes, effective interest rate 14.3%, due in installments through 1989 (net of unamortized discount of \$31,443 and \$38,768, respectively)	53,557	53,732
Term loan, effective interest rate 11.7%, due in 1988	50,000	50,000
Notes, effective interest rate 12¼%, due in installments from 1987 through 1998 (net of unamortized discount of \$10,504 and \$11,282, respectively)	49,496	48,718
Secured credit agreement, 1½% above LIBOR, due in installments through 1986	42,500	63,750
Term loans, 9.3%, due in installments through 2000	28,500	—
Term loans, average interest rate of 11.2%, due in installments through 1987	19,269	28,527
Notes, ½% to 1½% above LIBOR, due in installments through 1987	15,562	28,524
Export credit agreement, 10½%, due in installments through 1990	12,521	14,608
Eurodollar notes, 13¼% coupon rate, effective interest rate 13%, due in 1984 (net of unamortized discount of \$54)	—	49,946
Other notes and mortgages	76,630	78,091
	863,044	775,617
Less: Current portion	138,267	55,610
	<u>\$724,777</u>	<u>\$720,007</u>

Maturities relating to long-term debt are as follows for the years ending October 31: 1986, \$108,356,000; 1987, \$60,793,000; 1988, \$81,392,000; and 1989, \$180,639,000.

Maturities of commercial paper are based on maximum terms of committed credit lines, except for \$42 million that was retired with the net cash proceeds from the sale/leaseback of the Daniel Centre and, accordingly, has been classified as current portion of long-term debt. See Sales of Assets for additional information.

The company has committed long-term lines of credit with banks from which it may borrow up to a maximum of \$315,000,000 under revolving lines of credit which convert to four-year term loans. The company may use these

lines of credit to support commercial paper borrowings and unsecured promissory notes. Commitment fees of ¼ percent are paid on unused portions of the company's long-term lines of credit. At October 31, 1984, no amounts were outstanding under these lines.

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, 1984, the company had \$136,000,000 in unused short-term uncommitted lines of credit.

Pollution control bonds of \$37,210,000 are subject to sinking fund installments commencing in 1989. \$73,075,000 of the industrial revenue bonds represent the company's portion of such bonds issued for facilities of Massey Coal Company. All of the industrial revenue bonds are subject to mandatory redemption if certain tax exemption features of the bonds are disallowed.

The 13¼ percent Eurodollar notes were issued in 1982 together with warrants for the purchase of zero coupon debentures with a face value of \$150,000,000 which mature March 31, 1990. Warrants with a face value of \$146,977,000 were exercised by the expiration date of September 30, 1984. These zero coupon debentures provide an effective yield of 14 percent.

The net book value of assets securing long-term debt of \$154,000,000 was approximately \$337,000,000 at October 31, 1984.

The company has entered into agreements under which \$63,718,000 is outstanding in connection with certain oil and gas producing properties. These nonrecourse loans are secured solely by future revenues from the producing properties. Accordingly, \$58,235,000 has been included in other noncurrent liabilities and \$5,483,000 in other accrued liabilities at October 31, 1984.

+ Income Taxes

The provision for income taxes on earnings from continuing operations in the consolidated statement of earnings is composed of:

\$ in thousands	1984	1983	1982
Current			
Federal	\$ 98,555	\$ (4,586)	\$ 48,493
Foreign	22,175	63,654	36,822
State and local	9,756	6,326	4,479
Total current	130,486	65,394	89,794
Deferred			
Federal	(134,255)	10,258	43,069
Foreign	19,371	14,152	5,003
State and local	(4,165)	1,296	2,581
Total deferred	(119,049)	25,706	50,653
	<u>\$ 11,437</u>	<u>\$91,100</u>	<u>\$140,447</u>

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

\$ in thousands	1984	%	1983	%	1982	%
Statutory federal income tax expense	\$ 5,725	46.0	\$79,028	46.0	\$138,655	46.0
Increases (reductions) in taxes resulting from:						
Amortization of property, plant and equipment bases differences	8,798	70.7	10,170	5.9	7,779	2.6
Losses without tax benefit	5,718	45.9	18,064	10.5	8,507	2.8
Amortization of excess of cost over net assets of acquired companies	5,167	41.5	6,651	3.9	5,976	2.0
Effect of foreign tax rates	3,891	31.3	470	0.3	722	0.2
State income taxes	3,019	24.3	4,116	2.4	3,812	1.3
Depletion	(8,183)	(65.8)	(99)	(0.1)	(7,050)	(2.3)
Indefinitely reinvested foreign earnings	(5,267)	(42.3)	(9,469)	(5.5)	(1,748)	(0.6)
Investment and other tax credits	(4,574)	(36.8)	(11,002)	(6.4)	(10,250)	(3.4)
Accruals without tax effect	(1,947)	(15.7)	(163)	(0.1)	(535)	(0.2)
Safe harbor tax leases	(1,260)	(10.1)	(2,663)	(1.6)	—	—
Capital gain benefit	(661)	(5.3)	(1,036)	(0.6)	(2,292)	(0.8)
Other	1,011	8.2	(2,967)	(1.7)	(3,129)	(1.0)
	<u>\$11,437</u>	<u>91.9</u>	<u>\$91,100</u>	<u>53.0</u>	<u>\$140,447</u>	<u>46.6</u>

The difference between the statutory federal income tax rate and the actual tax rates applicable to discontinued operations is primarily attributable to capital gains rates in 1983 and investment tax credits in 1982.

Deferred income taxes have been provided for the following timing differences:

\$ in thousands	1984	1983	1982
Use of different methods of accounting for construction contracts	\$(152,321)	\$(22,517)	\$16,194
Capitalized interest	10,193	14,203	16,367
Depreciation, depletion and amortization of natural resource properties	9,125	23,451	14,228
Accelerated depreciation	11,729	8,104	7,981
Accruals not currently reportable for tax purposes	(1,972)	(1,344)	(2,984)
Deferred gains on property sales	1,514	(3,697)	1,135
Residual tax on undistributed foreign earnings	3,635	—	—
Deferred gains and losses from metal sales contracts	—	(5,253)	8,094
Other—net	(952)	12,759	(10,362)
	<u>\$(119,049)</u>	<u>\$ 25,706</u>	<u>\$50,653</u>

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

\$ in thousands	1984	1983	1982
Domestic	\$(54,535)	\$ 10,400	\$157,848
Foreign	66,980	161,400	143,575
	<u>\$ 12,445</u>	<u>\$171,800</u>	<u>\$301,423</u>

Residual income taxes have not been provided on approximately \$57,450,000 of undistributed earnings of certain foreign subsidiaries at October 31, 1984 because the company intends to reinvest these earnings indefinitely.

The company is currently under audit by the Internal Revenue Service (IRS) for the fiscal years 1977 through 1979. The IRS has raised several issues, including objections to the use of the completed-contract method of tax accounting by certain engineering and construction subsidiaries. In December 1984, the company entered into a Closing Agreement with the IRS with respect to Fluor Engineers, Inc., Fluor Constructors, Inc. and certain of their domestic subsidiaries whereby deferred earnings on certain contracts in process at October 31, 1983 will be recognized for tax purposes at that date. Also pursuant to the Closing Agreement, commencing with fiscal year 1984, these entities, which formerly reported earnings from contracts on the completed-contract method of accounting for tax purposes, will report such earnings on an accrual accounting method. At October 31, 1984 the income tax liability accounts reflect these changes. Deferred federal and state income taxes were provided in prior years on all earnings deferred for tax purposes.

St. Joe Minerals Corporation and its subsidiaries are under audit by the IRS through August 3, 1981, the date of acquisition by the company. Several issues have been asserted by the IRS which the company is contesting. Various other tax authorities are also auditing the company's state and local tax returns.

Management believes that the resolution of all tax issues will not have a material adverse effect on the company's consolidated financial position or results of operations.

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Lease Obligations

Total rental expense amounted to \$61,135,000 in 1984, \$66,518,000 in 1983 and \$70,171,000 in 1982. The company's lease obligations relate primarily to office and warehouse space, engineering facilities, data processing equipment, equipment used in connection with long-term construction contracts and other personal property.

In December 1984 the company consummated the sale/leaseback of its Daniel Centre engineering facility. The leaseback provisions of the transaction provide for an initial term of 10 years with renewal options for an additional 30 years. Aggregate payments for the initial lease term have been included in the minimum rentals presented below.

The company was obligated at October 31, 1984 under noncancellable leases for minimum rentals as follows:

\$ in thousands	
1985	\$ 40,323
1986	37,404
1987	32,341
1988	28,129
1989	24,842
Thereafter	274,178
	<u>\$437,217</u>

Stock Plans

The company has five executive stock plans, the 1971 Fluor Stock Option Plan, the 1977 and 1981 Fluor Executive Stock Plans, the 1982 Fluor Incentive Stock Option Plan, and the St. Joe 1972 Non-Qualified Stock Option Plan, assumed on the date of St. Joe's acquisition. These plans provide for grants of nonqualified or incentive options at prices equal to the fair market value of the company's common stock at date of grant.

The 1977 and 1981 Plans also provide for rights to acquire shares under restricted stock agreements at \$.62½ per share under the 1977 Plan and at no charge under the 1981 Plan. Upon termination other than for reason of retirement, death or permanent disability of the recipient, the stock must be returned to the company for the amount originally paid, if any. At October 31, 1984, a total of 1,285,225 restricted shares had been awarded and a total of 108,585 shares were available for award as restricted stock.

In addition, the company has the 1979 and 1980 Fluor Stock Appreciation Rights Plans. On exercise, the holder of the rights receives the excess of market value of the rights on exercise date over the market value of the rights on grant date. Such market values are equal to the market value of the company's common stock. Changes in market value are accounted for currently as compensation expense.

Options and stock appreciation rights granted prior to June 7, 1981 are generally exercisable one year after the date of grant. Options granted on or after that date and all of the assumed St. Joe stock options become exercisable in installments of twenty-five percent per year commencing one year from date of grant. All options expire ten years after date of grant.

With respect to grants under St. Joe's 1972 Plan, the optionee can elect to receive, in lieu of any or all shares, any combination of cash and shares having an aggregate value equal to the excess of market value of the underlying shares over the option price thereof.

The following table summarizes stock option and Stock Appreciation Rights ("SAR") activity for the two years ended October 31, 1984:

	Shares	Price Per Share	SAR	Value Per Right
October 31, 1982				
Outstanding	2,600,030	\$ 6-37	375,775	\$18-37
Granted*	209,313	10-22	138,740	18-22
Expired or cancelled*	(78,273)	6-37	(34,817)	18-37
Exercised	(437,728)	6-18	(5,021)	18
October 31, 1983				
Outstanding	2,293,342	6-37	474,677	18-37
Granted*	319,036	17-21	21,895	17
Expired or cancelled*	(98,316)	17-37	(41,448)	18-37
Exercised	(170,171)	6-22	(6,205)	18
October 31, 1984				
Outstanding	2,343,891		448,919	
Exercisable at:				
October 31, 1983	1,713,943	6-37	92,895	18-37
October 31, 1984	1,791,212	\$ 6-37	188,451	\$18-34
Available for grant at:				
October 31, 1983	1,823,581		566,002	
October 31, 1984	1,602,861		585,555	

*Includes 5,891 and 12,782 shares and 6,150 and 7,450 SARs cancelled in 1984 and 1983, respectively, at prices ranging from \$26 to \$64 per share and \$26 to \$36 per SAR, all of which were regranted at \$18.

Operations by Business Segment and Geographic Area

The engineering and construction business segment includes the subsidiaries engaged in process-plant, mining and metals, power-plant, and offshore engineering and construction and commercial construction. The metals business segment includes the subsidiaries engaged in the mining and processing of lead, zinc, gold and other metals. Grouped in other are those business segments that comprise less than 10% of the revenues, operating profits and identifiable assets of all business segments combined.

Intersegment and interarea revenues are accounted for on a cost-plus-fee basis.

Identifiable assets are those tangible and intangible assets used in operations in each of the business segments and geographic areas. Corporate assets are principally cash, short-term investments and property, plant and equipment.

Sales to customers in foreign countries from domestic operations comprise less than 10% of total revenues.

Contracts with a major customer accounted for \$668,140,000 of 1983 engineering and construction revenues. During 1984 and 1982 no single customer accounted for more than 10 percent of revenues.

The following table reconciles operating profit with earnings from continuing operations before income tax:

\$ in millions	1984	1983	1982
Operating profit from continuing operations	\$117.2	\$273.7	\$428.2
Minority interests	(7.1)	(17.0)	(9.6)
Interest—net	(59.6)	(63.7)	(80.1)
Equity in earnings and gain on sale of Peabody Holding Company	—	18.0	12.4
Corporate items	(38.1)	(39.2)	(49.5)
Earnings from continuing operations before income tax	\$ 12.4	\$171.8	\$301.4

Operations By Business Segment

\$ in millions	Revenues			Operating Profit		
	1984	1983	1982	1984	1983	1982
Engineering and Construction	\$3,206.0	\$4,105.2	\$5,384.7	\$ 94.6	\$210.7	\$228.6
Coal	489.6	437.5	446.9	14.8	(6.8)	2.6
Metals	433.7	429.0	440.0	(3.9)	32.6	46.2
Oil and Gas	99.4	135.8	225.8	29.5	15.7	69.7
Drilling Services	61.9	85.7	127.5	(1.7)	4.1	60.4
Other	111.3	108.0	116.6	(16.6)	17.0	20.5
Eliminations	(.8)	(.7)	(.9)	.5	.4	.2
Continuing Operations	\$4,401.1	\$5,300.5	\$6,740.6	\$117.2	\$273.7	\$428.2

\$ in millions	Identifiable Assets			Capital Expenditures			Depreciation, Depletion and Amortization		
	1984	1983	1982	1984	1983	1982	1984	1983	1982
Engineering and Construction	\$ 949.0	\$ 894.4	\$1,023.1	\$ 84.4	\$ 97.1	\$ 77.8	\$ 30.4	\$ 28.2	\$ 28.7
Coal	999.7	991.6	997.5	83.6	41.5	123.6	42.8	42.3	33.2
Metals	1,208.5	1,195.8	1,238.9	56.2	32.3	65.2	63.1	55.4	48.8
Oil and Gas	391.0	509.5	714.6	44.9	111.2	184.9	45.8	84.0	83.3
Drilling Services	174.6	181.5	206.3	10.9	5.3	45.8	9.7	12.9	9.6
Corporate and Other	168.8	185.0	211.9	5.5	12.9	19.7	3.4	10.9	11.4
Continuing Operations	3,891.6	3,957.8	4,392.3	285.5	300.3	517.0	195.2	233.7	215.0
Distribution	—	127.1	308.7	—	1.5	8.9	—	5.7	10.2
	\$3,891.6	\$4,084.9	\$4,701.0	\$285.5	\$301.8	\$525.9	\$195.2	\$239.4	\$225.2

Operations By Geographic Area

\$ in millions	Revenues			Operating Profit			Identifiable Assets		
	1984	1983	1982	1984	1983	1982	1984	1983	1982
United States	\$3,321.8	\$3,467.1	\$4,773.2	\$ 56.4	\$103.1	\$270.8	\$3,141.4	\$3,183.3	\$3,691.6
Middle East	293.1	721.5	584.8	8.7	26.9	26.0	98.9	112.3	90.7
South America	166.5	256.9	395.7	33.9	84.1	86.9	304.4	375.4	461.0
Africa	119.1	192.4	398.9	7.5	17.1	21.3	61.6	57.2	69.4
Europe	274.1	181.8	192.6	22.3	13.2	(.5)	141.4	239.4	273.4
Other	227.0	498.8	422.7	(11.6)	29.3	23.7	143.9	117.3	114.9
Interarea eliminations	(.5)	(18.0)	(27.3)	—	—	—	—	—	—
	\$4,401.1	\$5,300.5	\$6,740.6	\$117.2	\$273.7	\$428.2	\$3,891.6	\$4,084.9	\$4,701.0

Fluor Corporation

+ **Oil and Gas Operations**

Oil and gas operations are accounted for under the full cost method of accounting. Selected financial information relating to oil and gas operations follows:

\$ in millions, except per equivalent barrel amounts	Total	United States	United Kingdom	Argentina	Greece	Other Foreign
1984						
Capitalized costs at October 31						
Proved properties	\$523.5	\$341.5 ^(c)	\$ —	\$45.0	\$ 92.9	\$44.1
Unproved properties	20.9	—	—	—	—	20.9
Accumulated depletion, depreciation and amortization at October 31	(185.1)	(71.7)	—	(20.4)	(30.1)	(62.9)
Property acquisition costs ^(a)	.7	.7	—	—	—	—
Exploration costs ^(a)	18.4	11.1	.1	—	.3	6.9
Development costs ^(a)	9.3	3.8	.2	1.1	—	4.2
Depletion, depreciation and amortization per equivalent barrel of oil produced ^(b)	\$ 7.29	\$ 7.72	\$11.33	\$ 3.76	\$11.06	N/A
1983						
Capitalized costs at October 31						
Proved properties	\$600.6	\$326.2	\$ 67.7	\$44.3	\$ 93.4	\$69.0
Unproved properties	14.9	—	—	—	—	14.9
Accumulated depletion, depreciation and amortization at October 31	(183.5)	(64.6)	(26.4)	(14.5)	(16.5)	(61.5)
Property acquisition costs ^(a)	52.5	51.3	.1	—	—	1.1
Exploration costs ^(a)	40.4	19.3	1.0	—	1.4	18.7
Development costs ^(a)	16.9	6.8	1.0	.4	2.6	6.1
Depletion, depreciation and amortization per equivalent barrel of oil produced ^(b)	\$ 7.78	\$ 6.34	\$15.89	\$3.01	\$10.14	N/A
1982						
Capitalized costs at October 31						
Proved properties	\$551.8	\$303.8	\$ 65.6	\$43.9	\$ 89.4	\$49.1
Unproved properties	26.4	—	—	—	—	26.4
Accumulated depletion, depreciation and amortization at October 31	(140.3)	(62.6)	(14.8)	(10.5)	(5.8)	(46.6)
Property acquisition costs ^(a)	52.0	47.8	—	—	—	4.2
Exploration costs ^(a)	64.3	43.7	1.2	—	1.9	17.5
Development costs ^(a)	66.0	53.3	1.9	.5	6.4	3.9
Depletion, depreciation and amortization per equivalent barrel of oil produced ^(b)	\$ 7.81	\$ 8.50	\$10.06	\$2.42	\$ 6.59	N/A

(a) Capitalized.

(b) Includes the production of oil and natural gas. Natural gas is converted to equivalent barrels of oil at a rate of 6 thousand cubic feet of gas to one barrel of oil.

(c) Exploratory drilling will extend over several years on certain projects whose costs are not being amortized as of October 31, 1984. Costs excluded from amortization are as follows:

Costs incurred in the year ended October 31,	Property Acquisition	Exploration	Capitalized Interest	Total
1984	\$.4	\$ 7.5	\$15.2	\$ 23.1
1983	24.2	3.8	7.4	35.4
1982	8.5	1.1	7.7	17.3
Through 1981	30.6	—	2.8	33.4
	<u>\$63.7</u>	<u>\$12.4</u>	<u>\$33.1</u>	<u>\$109.2</u>

† **Estimated Proved Reserves of Oil and Gas** unaudited

The following tables present the company's estimates of its proved oil and gas reserves. The company emphasizes that reserve estimates are inherently imprecise and that estimates of new discoveries are more imprecise than those of producing oil and gas properties. Accord-

ingly, the estimates are expected to change as future information becomes available. Oil reserves, which include condensate and natural gas liquids, are stated in millions of barrels, and gas reserves are stated in billions of cubic feet.

	Total		United States		United Kingdom	Argentina		Greece		Other Foreign	
	Oil	Gas	Oil	Gas	Oil	Oil	Gas	Oil	Gas	Oil	Gas
Balance, November 1, 1981	34.3	197.8	9.5	137.0	5.8	11.6	45.8	6.0	2.4	1.4	12.6
Revisions of previous estimates	3.1	31.2	2.2	4.1	.9	(4.1)	25.4	2.9	(.1)	1.2	1.8
Extensions, discoveries and other additions	.9	33.3	.9	33.3	—	—	—	—	—	—	—
Sale of reserves-in-place	(2.7)	(72.0)	(2.7)	(72.0)	—	—	—	—	—	—	—
Production	(4.9)	(26.4)	(1.5)	(21.6)	(1.2)	(.7)	(4.7)	(.9)	—	(.6)	(.1)
Balance, October 31, 1982	30.7	163.9	8.4	80.8	5.5	6.8	66.5	8.0	2.3	2.0	14.3
Revisions of previous estimates	(1.1)	13.7	.6	2.2	(.1)	(1.6)	10.0	(.3)	1.2	.3	.3
Extensions, discoveries and other additions	2.3	4.3	.2	3.6	—	—	—	—	—	2.1	.7
Sale of reserves-in-place	(.6)	(11.8)	(.6)	(11.8)	—	—	—	—	—	—	—
Production	(4.3)	(12.0)	(.9)	(7.0)	(1.3)	(.5)	(4.9)	(1.0)	(.1)	(.6)	—
Balance, October 31, 1983	27.0	158.1	7.7	67.8	4.1	4.7	71.6	6.7	3.4	3.8	15.3
Revisions of previous estimates	.2	(1.5)	.1	(1.0)	—	—	—	(.4)	(.9)	.5	.4
Extensions, discoveries and other additions	.5	8.2	.4	8.2	—	—	—	—	—	.1	—
Sale of reserves-in-place	(6.0)	(12.0)	—	—	(4.0)	—	—	—	—	(2.0)	(12.0)
Production	(3.4)	(10.9)	(.8)	(5.8)	(.1)	(.8)	(4.9)	(1.3)	(.2)	(.4)	—
Balance, October 31, 1984	18.3	141.9	7.4	69.2	—	3.9	66.7	5.0	2.3	2.0	3.7
Net proved developed oil and gas reserves											
Balance, October 31, 1981	32.2	151.3	9.0	129.4	5.0	10.8	18.7	6.0	2.4	1.4	.8
Balance, October 31, 1982	28.8	135.1	7.9	64.8	4.2	6.8	66.5	8.0	2.3	1.9	1.5
Balance, October 31, 1983	22.5	138.0	7.3	58.9	2.3	4.4	61.5	6.7	3.4	1.8	14.2
Balance, October 31, 1984	17.7	123.0	7.3	60.3	—	3.4	56.7	5.0	2.3	2.0	3.7

Fluor Corporation

+ **Results of Operations for Oil and Gas Producing Activities**

The following summarizes the operating results of oil and gas producing activities:

\$ in millions	Total	United States	United Kingdom	Argentina	Greece	Other Foreign
1984						
Revenues from the sale of oil, gas and natural gas liquids	\$ 99.4	\$ 34.2	\$ 4.3	\$ 11.2	\$35.8	\$ 13.9
Less: Production (lifting) costs	(21.7)	(8.4)	(1.0)	(2.2)	(5.5)	(4.6)
Depletion, depreciation and amortization and valuation provisions	(45.2)	(13.9)	(1.7)	(5.9)	(13.6)	(10.1)
	32.5	11.9	1.6	3.1	16.7	(.8)
Income taxes	(8.6)	(3.7)	(.7)	—	(4.1)	(.1)
Results of operations from oil and gas producing activities, excluding corporate overhead and interest costs	\$ 23.9	\$ 8.2	\$.9	\$ 3.1	\$12.6	\$ (.9)
1983						
Revenues from the sale of oil, gas and natural gas liquids	\$135.8	\$ 43.8	\$37.8	\$ 6.2	\$30.7	\$ 17.3
Less: Production (lifting) costs	(33.7)	(12.1)	(7.2)	(1.9)	(6.9)	(5.6)
Depletion, depreciation and amortization and valuation provisions	(82.2)	(11.8)	(20.9)	(4.0)	(10.8)	(34.7)
	19.9	19.9	9.7	.3	13.0	(23.0)
Income taxes	(12.2)	(7.3)	(3.9)	—	(3.8)	2.8
Results of operations from oil and gas producing activities, excluding corporate overhead and interest costs	\$ 7.7	\$ 12.6	\$ 5.8	\$.3	\$ 9.2	\$(20.2)
1982						
Revenues from the sale of oil, gas and natural gas liquids	\$225.8	\$129.8	\$43.4	\$ 6.5	\$25.8	\$ 20.3
Less: Production (lifting) costs	(52.3)	(30.2)	(7.3)	(3.0)	(6.1)	(5.7)
Depletion, depreciation and amortization and valuation provisions	(79.0)	(43.7)	(12.9)	(3.6)	(5.9)	(12.9)
	94.5	55.9	23.2	(.1)	13.8	1.7
Income taxes	(39.5)	(22.7)	(9.5)	—	(3.1)	(4.2)
Results of operations from oil and gas producing activities, excluding corporate overhead and interest costs	\$ 55.0	\$ 33.2	\$13.7	\$ (.1)	\$10.7	\$ (2.5)

+ **Standardized Measure of Discounted Future Net Cash Flows Relating to Proved Reserves** unaudited

The following standardized measure of discounted future net cash flows and changes therein are presented in compliance with Statement of Financial Accounting Standards No. 69.

The information is computed by applying current prices of oil and gas (with consideration of price changes only to the extent provided by contractual arrangements) to estimated future production of proved oil and gas reserves as of October 31, 1984, less estimated future expenditures (based on current costs) to be incurred in developing and producing the proved reserves, and assuming continuation of existing economic conditions. Income taxes are based on year-end statutory rates adjusted for permanent differences. Amounts are discounted by ten percent per annum.

It is management's view that the standardized measure data does not present an appropriate measure of the results of the company's oil and gas producing activities. As such, the following factors should be considered in interpreting the results:

The estimated discounted future net cash flows will not be realized in cash until, if and when, production and sales occur. Thus, they do not currently provide additional funds for use in the company's business.

Reported results can fluctuate significantly since actual prices and costs can change erratically. For example, increases due to sharply rising prices are included entirely in the year in which they occur. Furthermore, estimates of reserves are inherently imprecise, as are projections of future production.

While the disclosures required by Statement No. 69 attempt to show the results of exploration and development activities as they occur, exploration programs require many years to evaluate. Costs incurred in one year may lead to significant discoveries in the future. Therefore, a single year is not necessarily indicative of the long-term results of exploration and development activities.

Standardized Measure of Discounted Future Net Cash Flows Relating to Proved Reserves unaudited

\$ in millions	Total	United States	United Kingdom	Argentina	Greece	Other Foreign
As of October 31, 1984						
Future cash inflows based on year-end prices	\$ 651.7	\$370.5	\$ —	\$ 63.1	\$151.6	\$ 66.5
Future production and development costs based on year-end costs	184.0	71.1	—	25.5	49.3	38.1
	467.7	299.4	—	37.6	102.3	28.4
Future income tax expenses based on year-end effective tax rates	88.7	50.2	—	—	28.8	9.7
Future net cash flows	379.0	249.2	—	37.6	73.5	18.7
Ten percent annual discount for estimated timing of cash flows	128.1	95.8	—	12.3	12.1	7.9
Standardized measure of discounted future net cash flows relating to proved reserves	\$ 250.9	\$153.4	\$ —	\$ 25.3	\$ 61.4	\$ 10.8
As of October 31, 1983						
Future cash inflows based on year-end prices	\$ 998.5	\$400.2	\$108.7	\$ 73.7	\$236.2	\$179.7
Future production and development costs based on year-end costs	273.6	80.8	40.6	22.4	66.9	62.9
	724.9	319.4	68.1	51.3	169.3	116.8
Future income tax expenses based on year-end effective tax rates	194.5	68.5	19.8	8.5	48.5	49.2
Future net cash flows	530.4	250.9	48.3	42.8	120.8	67.6
Ten percent annual discount for estimated timing of cash flows	184.9	99.0	11.4	14.7	30.3	29.5
Standardized measure of discounted future net cash flows relating to proved reserves	\$ 345.5	\$151.9	\$ 36.9	\$ 28.1	\$ 90.5	\$ 38.1
As of October 31, 1982						
Future cash inflows based on year-end prices	\$1,119.6	\$467.3	\$174.5	\$101.4	\$247.7	\$128.7
Future production and development costs based on year-end costs	313.7	132.2	57.2	13.5	58.9	51.9
	805.9	335.1	117.3	87.9	188.8	76.8
Future income tax expenses based on year-end effective tax rates	222.5	74.1	39.8	19.0	56.0	33.6
Future net cash flows	583.4	261.0	77.5	68.9	132.8	43.2
Ten percent annual discount for estimated timing of cash flows	175.2	79.2	10.9	25.0	43.1	17.0
Standardized measure of discounted future net cash flows relating to proved reserves	\$ 408.2	\$181.8	\$ 66.6	\$ 43.9	\$ 89.7	\$ 26.2

Fluor Corporation

Summary of Changes in Standardized Measure of Discounted Future Net Cash Flows Relating to Proved Reserves Unaudited

\$ in millions Years ended October 31,	1984	1983	1982
Discounted future net cash flows at beginning of year	\$345.5	\$408.2	\$499.1
Discoveries, extensions and other additions, and improved recovery, net of future production and development costs	14.0	22.3	111.4
Sales and transfers of oil and gas produced, net of production costs	(77.7)	(102.3)	(173.5)
Net changes in prices and development and production costs	(39.2)	1.5	(50.6)
Development costs incurred during the period	8.2	5.7	28.5
Revision of previous quantity estimates	(.7)	12.6	68.6
Changes resulting from sales of reserves-in-place	(60.6)	(25.8)	(167.3)
Increase in present value due to passage of one year	47.2	55.8	71.0
Net change in income taxes	29.4	21.3	65.4
Other, including the effect of changes in estimated rates of production	(15.2)	(53.8)	(44.4)
Balance at end of year	<u>\$250.9</u>	<u>\$345.5</u>	<u>\$408.2</u>

Sales of Assets

In the second quarter of 1984, the company sold several foreign oil and gas holdings for approximately \$66 million. Properties sold included the company's interests in the United Kingdom, the Netherlands and certain of its Egyptian properties.

In December 1984, the company sold and leased back its Daniel Centre engineering facility in Greenville, South Carolina. The cost of the facility has been included in net assets held for sale at October 31, 1984. The cash proceeds of \$42 million were used to retire long-term debt and, accordingly, that amount has been included in current portion of long-term debt at October 31, 1984.

Contingencies, Commitments and Restrictions

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

At October 31, 1984, \$750 million of net assets of subsidiaries, including \$100 million of working capital, have restrictions which affect the ability to transfer them to the parent company in the form of loans, advances or dividends. A substantial portion of these restricted net assets relate to the requirement of the Massey Coal Company joint venture agreement to obtain approval of all parties prior to the transfer of joint venture assets.

Supplemental Financial Information on Changing Prices Unaudited

The company's financial statements are prepared in accordance with generally accepted accounting principles, which include the concept of historical cost. Under this concept, inventories and property, plant and equipment generally are recorded and reported at the amounts originally paid and do not reflect subsequent changes in (1) the general purchasing power of the dollar, (2) the current cost of replacing the asset, or (3) the amount for which the asset could be sold—its market value.

In conformity with the Statement of Financial Accounting Standards No. 33, the company is presenting selected supplemental information adjusted for changes in specific prices (current cost). Information for general inflation (constant dollar) which has been disclosed in prior years, is not being presented as the company has elected to early comply with Statement of Financial Accounting Standards No. 82 which deleted this requirement.

The company is affected by inflation but certain factors serve to mitigate its impact. The company's position is protected within its engineering and construction and contract drilling operations due to its ability to recover cost increases as a result of price escalation provisions in many of its contracts. Most of the company's natural resource products are internationally traded commodities and prices for those products are established by factors which are beyond the control of management. However, management believes the company's substantial position in natural resources provides a significant hedge against any adverse long-term effects of inflation. Inflation also affects the company in other ways, particularly through increases in the cost of property, plant and equipment.

Current cost estimates are necessarily based upon numerous assumptions and subjective judgments. Although management believes that the estimates have been developed in a reasonable manner and are in compliance with the requirements of Statement No. 33, it should be recognized that the data should be viewed as experimental and partial and may be of only limited value because of the high degree of imprecision inherent in the estimation process. It also does not include all of the effects of inflation or other economic, competitive, social or regulatory factors that influence the decisions and operations of a worldwide company. The current cost method assumes that existing assets can be replaced in kind, which is not necessarily true with respect to the company's mining assets. Management cautions against the use of this information for estimating the total inflationary effect on future costs.

Current cost information reflects assets and expenses associated with the use or sale of assets at their current cost at the balance sheet date or at the date of use or sale. Information on a current cost basis was determined for each class of goods being measured using a combination of externally generated indices and direct pricing.

The statement of earnings adjusted for changing prices compares the results of operations as reported in the financial statements with the results restated on a current cost basis. Only cost of sales and depreciation, depletion and amortization have been adjusted. Sales and all other operating expenses are considered to reflect the average price levels for the year and, accordingly, have not been adjusted. The provisions for income taxes remain unchanged because present tax laws do not allow deductions related to inflation adjustments.

The gain from decline in the purchasing power of net amounts owed measures the gain from holding monetary liabilities in excess of monetary assets. Since a gain in purchasing power does not represent the receipt of cash, it should not be considered as providing funds for reinvestment or dividend distribution.

**Statement of Earnings from Continuing Operations
Adjusted for Changing Prices (unaudited)**

\$ in millions Year ended October 31, 1984	As Reported in Primary Statements	Adjusted for Changes in Specific Prices (October 31, 1984 dollars)
Revenues	\$4,401.1	\$4,401.1
Depreciation, depletion and amortization	184.0	240.2
Other costs of revenues, net	4,204.7	4,204.7
Earnings (loss) before income taxes	12.4	(43.8)
Income taxes	11.4	11.4
Earnings (loss) from continuing operations	\$ 1.0	\$ (55.2)
Gain from decline in purchasing power of net amounts owed		\$ 56.7
Inventories and property, plant and equipment		\$3,132.7
Increase in specific prices of inventories and property, plant and equipment		\$ 225.4
Effect of increase in general inflation		126.6
Excess of increase in specific prices over increase in general inflation		\$ 98.8

Selected Data Adjusted for Effect of Inflation in average 1984 dollars (unaudited)

\$ in millions, except per share amounts

Years ended October 31,	1984	1983	1982	1981	1980
Revenues from continuing operations	\$4,401.1	\$5,522.0	\$7,257.1	\$6,170.0	\$5,550.0
Amounts adjusted for changes in specific prices					
Earnings (loss) from continuing operations	(55.2)	43.3	110.6	148.9	120.5
Earnings (loss) per share from continuing operations	(.70)	.55	1.41	2.65	2.49
Net assets at end of year	2,280.1	2,305.3	2,574.0	2,491.6	1,208.3
Gain from decline in purchasing power of net amounts owed	56.7	44.6	85.7	63.1	40.4
Cash dividends declared per share	\$.60	\$.83	\$.86	\$.93	\$.83
Market price per share at end of year	16 $\frac{3}{16}$	17 $\frac{1}{2}$	22 $\frac{3}{16}$	31 $\frac{1}{4}$	77

Fluor Corporation

Mineral Reserves and Operating Statistics unaudited

Information relating to mineral reserves and milling, production and realized product prices follows:

Short tons and troy ounces in thousands	1984				1983			
	United States	Argentina	Australia	Chile	United States	Argentina	Australia	Chile
Reserves (tons)								
Lead	63,188 ^(a)				62,056 ^(a)			
Zinc	7,861 ^(b)				8,378 ^(b)			
Iron Ore	186,174 ^(a)				187,888 ^(a)			
Metallurgical Coal	150,952 ^(b/c)				99,083 ^(b/c)			
Steam Coal	380,897 ^(b/c)				420,253 ^(b/c)			
Foreign Milling Ore		5,794 ^(b)	808 ^(a/d)	4,984 ^(b)		6,221 ^(b)	1,296 ^(b/d)	5,048 ^(b)
Direct Shipping Ore				53 ^(b)				66 ^(b)
Average Grade of Ore Reserves ^(e)								
Lead	5.0	6.0	2.8		5.0	5.8	2.9	
Zinc	11.1	6.9	7.8		11.3	6.9	8.8	
Iron Ore	55.5				55.5			
Copper			2.0	5.0			1.8	5.0
Direct Shipping Ore—Silver				4.3				3.8
Direct Shipping Ore—Gold				5.9				6.8
Foreign Milling Ore—Silver		3.6	1.0	3.4		3.5	1.2	3.6
Foreign Milling Ore—Gold				0.3				0.3
Ore Milled (tons)								
Lead	2,936				4,599			
Zinc	739				765			
Iron Ore	2,191				1,230			
Foreign Milling Ore		634	334	577		668	344	544
Metal Content of Concentrates Produced (tons) ^(f)								
Lead	138	30	5		216	32	6	
Zinc	77	36	18		88	37	22	
Iron Ore	955				530			
Copper			4	19			4	16
Direct Shipping Ore—Silver				57				60
Direct Shipping Ore—Gold				119				206
Foreign Milling Ore—Silver		1,422	305	936		1,564	342	855
Foreign Milling Ore—Gold				161				170
Coal Produced (tons) ^(c)								
Metallurgical	2,168				2,084			
Steam	7,998				7,102			
Average Realized Prices (per ton)								
Lead Metal	\$494				\$391			
Zinc Metal	950				772			
Zinc Concentrates	427 ^(g)	\$208	\$177		357 ^(g)	\$197	\$142	
Iron Ore Pellets	33				25			
Lead Concentrates		\$570 ^(g)	52			\$580 ^(g)	36	
Copper Concentrates			\$132				\$185	
Metallurgical Coal	40				43			
Steam Coal	\$ 40				\$ 39			
Gold/Silver Bearing Copper Concentrates				\$ 589				\$1,096
Dearsenified Gold/Silver Bearing Copper Concentrates				1,178				1,939
Doré Bullion (per kilogram)				3,795				2,905
Direct Shipping Ore				\$1,660				\$2,930

(a) Proven.

(b) Proven and Probable.

(c) Represents proportionate share of reserves and production of Massey Coal Company. Does not include proportionate share of reserves related to the company's 10 percent interest in Peabody Holding Company, which was sold in 1983.

(d) Represents proportionate share of reserves of joint venture.

(e) Stated as % except silver and gold which are stated in troy ounces per ton.

(f) Stated in tons except silver and gold which are stated in troy ounces.

(g) Price reflects silver content in concentrates.

(h) Reflects only three months of operations.

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1982				1981 ^(h)			
United States	Argentina	Australia	Chile	United States	Argentina	Australia	Chile
62,294 ^(a)				64,067 ^(a)			
10,063 ^(b)				10,678 ^(b)			
196,484 ^(a)				100,182 ^(a)			
142,836 ^(b/c)				146,321 ^(b/c)			
386,188 ^(b/c)				341,415 ^(b/c)			
	6,494 ^(b)	2,094 ^(b/d)	4,694 ^(b) 69 ^(b)		6,558 ^(b)	2,494 ^(b/d)	3,433 ^(b) 77 ^(b)
5.0	6.0	3.2		5.1	6.2	3.1	
10.9	6.9	9.5		10.8	7.6	9.0	
56.0				56.1			
		1.9	5.1			1.9	3.5
			3.3				3.4
			7.3				8.2
	3.6	1.4	3.6		3.7	1.4	4.3
			0.3				0.4
4,590				1,205			
684				142			
1,487				459			
	668	392	423		167	88	
208	34	8		57	8	2	
78	37	26		16	9	6	
643				195			
		4	8			1	
			61				24
			236				42
	1,695	464	455		458	149	
			145				
2,155				602			
6,873				1,697			
\$520				\$764			
746				909			
313 ^(g)	\$232	\$171		366 ^(g)	\$192	\$195	
32				35			
	\$501 ^(g)	81			\$562 ^(g)	186	
		\$184				\$224	
48				48			
\$ 40				\$ 37			
			\$1,427				
			2,607				
			3,668				
			\$2,546				\$3,356

Fluor Corporation

+ **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
1984				
Revenues from continuing operations	\$1,140,893	\$1,153,600	\$1,072,608	\$1,034,029
Gross margin (loss)	61,193	45,978	27,387	(16,181)
Net earnings (loss)	16,445	4,487	1,921	(21,845)
Net earnings (loss) per share	\$.21	\$.05	\$.03	\$ (.28)
1983				
Revenues from continuing operations	\$1,399,172	\$1,377,315	\$1,265,700	\$1,258,265
Gross margin	103,401	91,629	64,147	23,498
Earnings (loss) from continuing operations	38,854	31,144	18,463	(7,761)*
Earnings (loss) from discontinued operations				
Operations	(6,775)	(3,411)	(9,604)	(7,210)
Disposal	—	—	—	(26,000)
Net earnings (loss)	32,079	27,733	8,859	(40,971)*
Earnings (loss) per share				
Continuing operations	.49	.39	.23	(.09)*
Net earnings (loss)	\$.41	\$.35	\$.11	\$ (.52)*

*Includes a \$21 million (\$.27 per share) net write-down of certain foreign oil and gas properties.

+ **Principal Subsidiaries and Divisions**

Engineering and Construction
Fluor Engineering and Construction Group, Inc.
Irvine, California

Fluor Engineers, Inc. Irvine, California
Advanced Technology Division Irvine, California
Chicago Division Chicago, Illinois
Houston Division Sugar Land, Texas
Northern California Division Redwood City, California
Ocean Services Division Sugar Land, Texas
Southern California Division Irvine, California
Fluor Arabia Limited Al-Khobar, Saudi Arabia
Fluor Australia Pty. Limited Melbourne, Victoria, Australia
Fluor Canada Ltd. Calgary, Alberta, Canada
Fluor Europe Limited London, England
Fluor (Great Britain) Limited London, England
Fluor GmbH Dusseldorf, West Germany
Fluor Nederland B.V. Haarlem, The Netherlands
Fluor Plant Services International Ltd. London, England
Fluor South Africa (Pty) Limited Johannesburg, South Africa
Fluor Constructors International, Inc. Irvine, California
Fluor Canada Constructors, Inc. Calgary, Alberta, Canada
Fluor Constructors, Inc. Irvine, California
Fluor Mechanical Services, Inc. Irvine, California
Daniel International Corporation Greenville, South Carolina

Natural Resources
St. Joe Minerals Corporation
Clayton, Missouri

A. T. Massey Coal Company, Inc. Richmond, Virginia
St. Joe Domestic Metals Corporation Clayton, Missouri
St. Joe International Corporation New York, New York

Oil and Gas
Fluor Oil and Gas Corporation
Denver, Colorado

Drilling Services
Fluor Drilling Services, Inc.
Irvine, California

Coral Drilling Division New Orleans, Louisiana
Western Offshore Drilling and Exploration Co.
Irvine, California

David S. Tappan, Jr.⁽²⁾⁽⁵⁾
Chairman of the Board
and Chief Executive
Officer (1952)

Dean K. Allen⁽²⁾
Chairman—Engineering
and Construction Group;
Chairman of the Board of
Fluor Engineers, Inc.
(1962)

Charles M. Cannon⁽²⁾
Vice Chairman of the
Board (1961)

Hugh K. Coble
President of Fluor
Engineers, Inc. (1966)

John C. Duncan⁽³⁾
Retired, former Chairman
of the Board and Chief
Executive Officer of St.
Joe Minerals Corporation
(1981)

Peter J. Fluor⁽³⁾⁽⁵⁾
President of Texas Crude,
Inc., oil and gas
production (1984)

William R. Grant⁽³⁾⁽⁴⁾⁽⁵⁾
Chairman of the Board of
MacKay-Shields Financial
Corporation (1982)

**Sibrand
Jurriaans**⁽³⁾⁽⁴⁾⁽⁵⁾
Retired, former partner of
Pierson, Heldring &
Pierson, investment and
commercial bankers
(1964)

Robert V. Lindsay⁽⁴⁾⁽⁵⁾
Director and President of
J. P. Morgan & Co.
Incorporated and Morgan
Guaranty Trust Company
of New York (1982)

Leslie G. McCraw
President and Chief
Executive Officer of Daniel
International Corporation
(1977)

Joseph V. McKee, Jr.⁽⁴⁾
Retired, former Chairman
of the Board of National
Union Electric (1982)

George W. Mefferd⁽²⁾
Group Vice President and
Chief Financial Officer
(1974)

Buck Micker⁽²⁾
President; Chairman of
the Board of Daniel
International Corporation
(1977)

Louis H. Wilson⁽³⁾⁽⁴⁾⁽⁵⁾
General, U.S. Marine
Corps (Retired) and
former Commandant of
the Marine Corps (1979)

John A. Wright⁽²⁾
Chairman—Natural
Resources Group;
Chairman of the Board
and Chief Executive
Officer of St. Joe Minerals
Corporation (1981)

Executive Officers

Office of the Chief Executive Officer

David S. Tappan, Jr.
Chairman of the Board
and Chief Executive
Officer (1952)

Buck Micker
President; Chairman of
the Board of Daniel
International Corporation
(1977)

Charles M. Cannon
Vice Chairman of the
Board (1961)

Executive

Dean K. Allen
Chairman—Engineering
and Construction Group;
Chairman of the Board of
Fluor Engineers, Inc.
(1962)

David R. Copley
President—Venture Group
(1975)

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

John A. Wright
Chairman—Natural
Resources Group;
Chairman of the Board
and Chief Executive
Officer of St. Joe Minerals
Corporation (1981)

Financial

George W. Mefferd
Group Vice President and
Chief Financial Officer
(1974)

William M. Hotacre
Vice President and
Controller (1984)

William D. Trammell
Treasurer (1968)

Law

R. Joseph Trimble
Senior Vice President—
Law and Tax (1972)

Other Officers

Charles J. Bradley
Vice President—Human
Resources (1958)

Lawrence N. Fisher
Vice President—Corporate
Law (1974)

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

Robert E. Harrigan
Senior Vice President
(1956)

Gunther E. Hering
Vice President—Corporate
Development and
Strategic Planning (1975)

Wilbur J. Holleman
Vice President—Tax (1975)

William E. Nelson
Vice President—Security
and Administration (1977)

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

James O. Rollans
Vice President—Corporate
Communications (1982)

Gerald B. Sinykin
Vice President—Medical
Services (1979)

C. Patrick Bedford
President, Fluor
Constructors International,
Inc. (1978)

Joseph S. Bowman
President, Fluor Oil and
Gas Corporation (1973)

Hugh K. Coble
President, Fluor
Engineers, Inc. (1966)

Peter DeMay
Group Vice President,
Fluor Engineers, Inc.
(1980)

Howell T. Hunt
President, Fluor Drilling
Services, Inc. (1978)

Vincent L. Kontny
Executive Vice President,
Fluor Engineers, Inc.
(1965)

Leslie G. McCraw
President and Chief
Executive Officer, Daniel
International Corporation
(1977)

Peter J. Neff
Vice President, St. Joe
Minerals Corporation and
President, St. Joe
International Corporation
(1981)

Ronald Olivier
Group Vice President,
Fluor Engineers, Inc. and
Chairman, Fluor Europe
Limited (1961)

Douglas D. Templeman
Group Vice President—
Marketing, Fluor
Engineers, Inc. (1962)

**Kenneth R.
Verneburg**
Vice President, St. Joe
Minerals Corporation and
President, St. Joe
Domestic Metals
Corporation (1981)

LaRoy K. Wheelock
President and Chief
Operating Officer, St. Joe
Minerals Corporation
(1981)

(1) Years in parentheses
indicate the year each
director was elected to
the Board or the year
each officer or
executive joined the
company. Except as
otherwise indicated, all
offices are of the
company.

(2) Member of Executive
Committee.

(3) Member of Audit
Committee.

(4) Member of
Compensation
Committee.

(5) Member of Nominating
Committee.

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 and Controller, 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 Clearing & Services Corp., New York, 2 Recoter Street, 2nd Floor, New York, New York 10006. For change of address, lost dividends, or lost stock certificates, write or telephone: Security Pacific National Bank, Stock Transfer Division, Box 3546, Terminal Annex, Los Angeles, California 90051, Attn: Shareholder Relations (818) 507-2958.

Auditors

Arthur Young & Company
3200 Park Center Drive
Costa Mesa, California
92626

Annual Stockholders' Meeting

Annual report and proxy statement are mailed about February 1. Fluor's annual meeting of stockholders will be held at 9:00 a.m. on March 12, 1985 at the Fluor Corporation Irvine Complex, 3333 Michelson, Irvine, California 92730.

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.

Automatic Dividend Reinvestment Plan

The Automatic Dividend Reinvestment Plan offered through Security Pacific National Bank affords any stockholder of record of Fluor's common stock the opportunity to buy additional Fluor shares automatically with cash dividends. In addition, the Plan permits stockholders to purchase additional Fluor shares each quarter through voluntary cash payments. A brochure describing the Plan is available upon request.

Write to: Security Pacific National Bank, Dividend Reinvestment Unit, Box 3546, Terminal Annex, Los Angeles, California 90051

Company Contacts

Stockholders may call collect. Stockholder information:
Lawrence N. Fisher
(714) 975-6961
Investor relations:
Frederick J. Fajardo
(714) 975-7250

Common Stock and Dividend Information

At December 31, 1984 there were 79,007,404 shares outstanding and approximately 37,000 stockholders of record of Fluor's common stock. Dividends are traditionally paid the first Monday following the 15th day of January, April, July and October.

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.

	Dividends Per Share	Price Range	
		High	Low
Fiscal 1984			
First Quarter	\$.20	\$20⅞	\$16⅞
Second Quarter	.20	23¾	17¾
Third Quarter	.10	22⅛	15½
Fourth Quarter	.10	19⅛	14¾
	<u>\$.60</u>		
Fiscal 1983			
First Quarter	\$.20	\$25⅞	\$19
Second Quarter	.20	23¾	19¼
Third Quarter	.20	24⅜	19¾
Fourth Quarter	.20	22¼	17⅞
	<u>\$.80</u>		

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