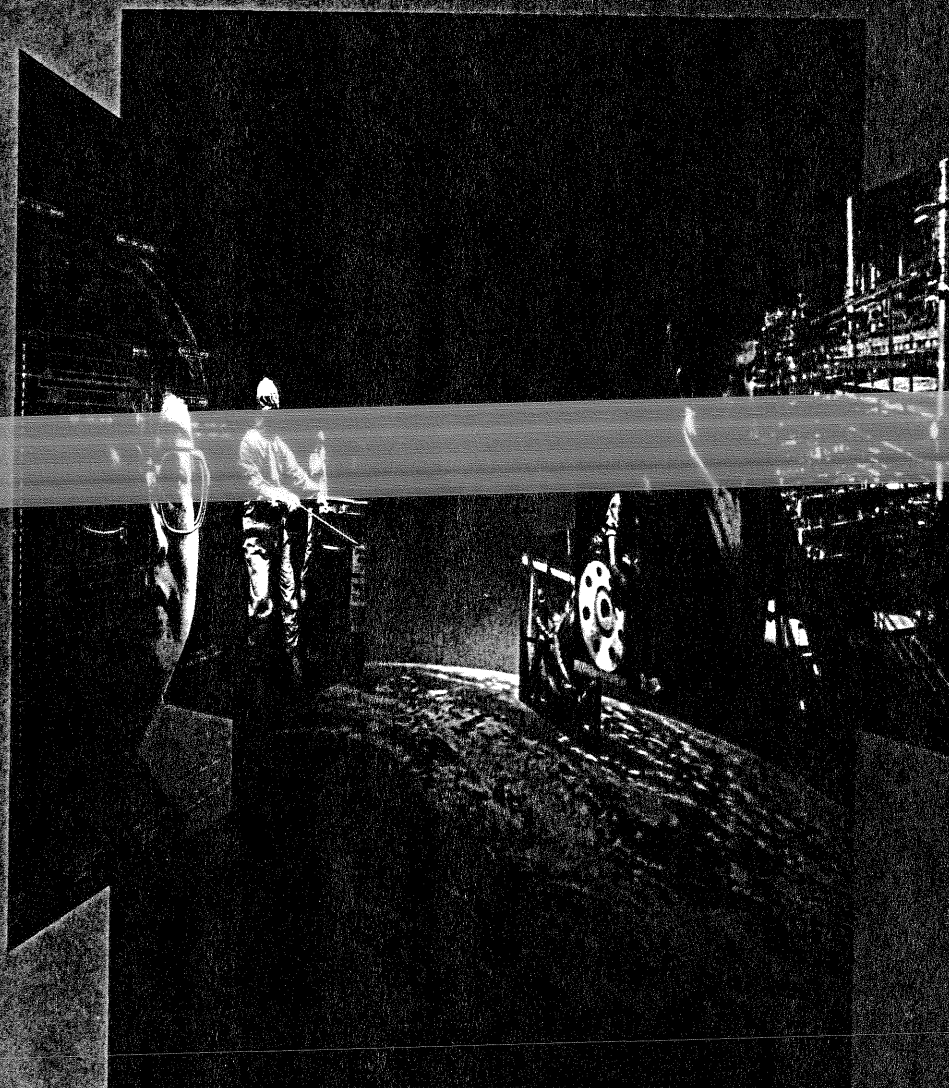


FLUOR

ANNUAL REPORT 1992



BROAD MARKET DIVERSITY,
EMPHASIZING VALUE-ADDED SERVICES,
IS KEY TO CONSISTENT,
LONG-TERM GROWTH.

DR 2801406

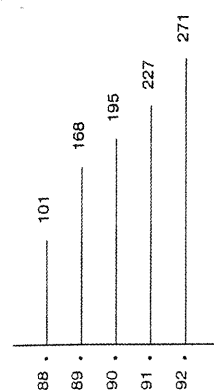
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A B O U T T H E C O V E R

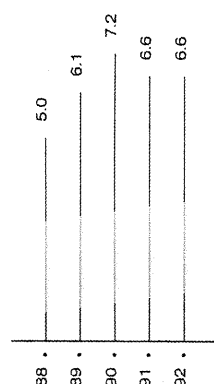
As a service company, Fluor Daniel adds value for its clients through the skills, innovation and creativity of its people. A broad diversity of quality technical services—from engineering and construction to maintenance and environmental remediation—equips Fluor Daniel to meet client needs through an organizational culture that ensures added value, excellence in execution and continuous performance improvement.

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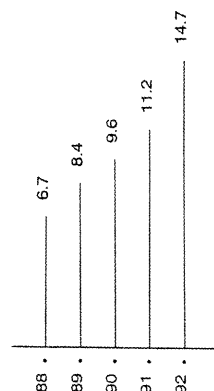
**OPERATING PROFIT FROM
CONTINUING OPERATIONS**
dollars in millions



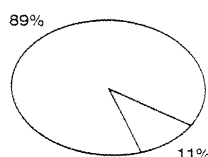
**REVENUES FROM
CONTINUING OPERATIONS**
dollars in billions



BACKLOG
dollars in billions



**REVENUES BY SEGMENT FROM
CONTINUING OPERATIONS**
E&C 89%
Coal 11%



H I G H L I G H T S

F L U O R

	\$ in thousands, except per share amounts	1992	1991	Percent Change
FISCAL YEAR				
Revenues	\$ 6,600,696	\$ 6,571,958	—	
Earnings from continuing operations	135,250	153,089	-12	
Earnings (loss) from discontinued operations	(96,566)	11,059	—	
Cumulative effect of change in accounting principle	(32,866)	—	—	
Net earnings	5,818	164,148	-96	
Net earnings per share	\$.07	\$ 2.01	-97	
Return on average shareholders' equity	.6%	20.2%	—	
Capital expenditures	\$ 287,046	\$ 159,718	80	
New awards	10,867,700	8,531,600	27	
Cash dividends per common share	\$.40	\$.32	25	
AT YEAR-END				
Working capital	\$ 293,151	\$ 311,312	-6	
Total assets	2,365,496	2,421,435	-2	
Backlog	14,706,000	11,181,300	32	
Capitalization				
Long-term debt	61,262	75,682	-19	
Shareholders' equity	880,802	900,645	-2	
Total capitalization	\$ 942,064	\$ 976,327	-4	
Percent of total capitalization				
Long-term debt	6.5	7.8	—	
Shareholders' equity	93.5	92.2	—	
Closing stock price	\$ 44 ⁵ / ₈	\$ 45 ⁵ / ₈	-2	
Shareholders' equity per common share	\$ 10.81	\$ 11.10	-3	
Salaried employees	17,939	18,091	-1	
Craft/hourly employees	25,666	21,546	19	
Total employees	43,605	39,637	10	

The quarterly dividend was increased from \$.08 per share to \$.10 per share in the first quarter of 1992 and to \$.12 per share in the first quarter of 1993.

Results for 1992 include the effects of, and certain 1991 amounts have been restated to reflect, the reclassification of the Lead Segment as a discontinued operation, including an estimated reserve for loss on disposition and operating losses expected to be incurred during the period prior to disposition, and the new methods of accounting for income taxes (SFAS 109) and postretirement benefits (SFAS 106).

C O M P A N Y D E S C R I P T I O N

Fluor Corporation is one of the world's largest international engineering, construction, maintenance and related technical services companies, with an important investment in low-sulfur coal.

Fluor Daniel, the company's principal operating business, provides a broader range of technical services to more clients in more industries and geographic locations than any global competitor. Serving five broad market sectors—Hydrocarbon, Government, Process, Industrial and Power—Fluor Daniel provides global capability from more than 50 offices worldwide.

A. T. Massey Coal Company, Fluor's investment in coal, produces both high-quality, low-sulfur steam coal for use in generating electricity and metallurgical coal which is used by the steel industry. Massey ranks among the five largest U.S. coal producers.

DEAR FELLOW STOCKHOLDERS:

In forming Fluor Daniel in 1986, one of our underlying premises was to create a full service engineering and construction (E&C) company which, through both its philosophy and structure, could be successful independent of external market conditions. While much work remains, we are pleased to report that despite a generally weak global economy in 1992, Fluor Daniel, our core E&C business, delivered excellent operating profit growth compared with a strong performance last year. Additionally, A. T. Massey, our low-sulfur coal investment, had outstanding performance and showed very positive growth compared with the previous year.

Our other natural resource investment, The Doe Run Company, did not enjoy the same level of success. Doe Run has made many excellent operational improvements, but unfortunately was crippled by lead prices which are at historic low levels. We have now made the strategic decision to exit that business due to its extreme cyclical nature and have accounted for it as a discontinued operation. We also elected to adopt new financial accounting standards required of all public corporations by 1994. Although these actions clear the decks for future years, they did involve significant one-time, noncash charges.

HIGHLIGHTS OF THE YEAR

- Fluor Daniel delivered its fifth consecutive year of earnings growth, generating an operating profit of \$191 million, up 15 percent from last year.
- Fluor Daniel enjoyed yet another year of improved safety performance, achieving results which rank it as the safest global contractor.
- New E&C awards were an all-time record \$10.9 billion, exceeding our previous annual high of \$9.3 billion set in 1980.
- Fluor Daniel was ranked No. 1 by Engineering News-Record (ENR) among all U.S.-based E&C companies for an unprecedented fifth consecutive year.
- E&C backlog grew 32 percent to \$14.7 billion.
- The U.S. Department of Energy awarded Fluor Daniel program management responsibility for the \$4 billion environmental cleanup of uranium production facilities in Fernald, Ohio; \$2.2 billion was included in 1992 new awards and backlog. The contract is the first of its kind and is the most significant environmental assignment ever undertaken.
- Meaningful progress was made in positioning Fluor Daniel in key industries and emerging growth markets. A joint venture was established with Jaakko Poyry of Finland, a globally renowned pulp and paper engineering and design firm. An exclusive association is being formed with ICA Industrial, Mexico's largest construction firm, to capitalize on the exciting growth opportunities in the Latin American market.
- A. T. Massey, our low-sulfur coal investment, posted strong earnings growth, up 32 percent from a year ago to \$80 million.
- New high-quality, low-sulfur coal reserves were acquired increasing Massey's total reserves to nearly 1 billion tons.
- The company elected early implementation of Financial Accounting Standards 106 (postretirement benefits) and 109 (accounting for income taxes) required for all public companies by 1994.
- Charges, including operating losses, relating to the decision to exit the lead business and to adopt Accounting Standard 106 reduced 1992 net earnings by \$129 million to \$6 million.
- The company ended the year with an exceptionally strong balance sheet — more than \$340 million in cash and securities and only \$61 million in debt or 6.5 percent of total capitalization.
- The Board of Directors declared a quarterly cash dividend increase of 20 percent to 12 cents per share in light of excellent operating performance in 1992, a strong balance sheet, and the positive outlook for Fluor's business activities.

ENGINEERING AND CONSTRUCTION

Fluor Daniel's major accomplishments this past year, beyond meeting or exceeding our plan for operating profit, new awards and backlog growth, included a host of strategic successes. International backlog increased 24 percent to more than \$4 billion. Eleven new or expanded client alliances were formed bringing the total to more than 30. These arrangements allow us to serve as an extension of the client's organization and to participate in their capital planning process.



LESLIE G. MCCRAW

VINCENT L. KONTNY

We will continue to give special emphasis to increasing the value we bring to clients' projects. This effort involves more efficient application of our highly skilled technical labor force through greater use of our computer-aided design capabilities and global electronic communications network. Efforts to continuously improve our performance in everything we do, along with excellence in project execution and safety, are bearing fruit, ensuring that our project goals match those of the client. Our goal remains to be the lowest cost provider of the highest quality services.

COAL

A.T. Massey, our low-sulfur coal investment, achieved excellent profit growth, particularly given the soft market conditions that existed throughout the year. Massey's strong performance is a direct result of its leadership position in central Appalachia, an outstanding management team, cost-effective operations, and high-quality, low-sulfur coal reserves.

During 1992, Massey acquired approximately 320 million tons of additional low-sulfur coal reserves, an increase of 42 percent. These new properties are adjacent to existing Massey facilities in central Appalachia and will allow production expansion in a cost-effective manner. Expansion of coal reserves enhances the company's longer term profit potential and asset value. It also fits well with Massey's strategic focus to provide utility customers with compliance coal to meet the more stringent clean air standards.

LEAD

The decision to divest The Doe Run Company, our lead investment, has not been an easy one. Doe Run has made excellent progress towards improving its operating efficiency and becoming the industry leader in environmental responsiveness. Divesting lead, however, is necessary if we are to achieve our strategic vision for Fluor and enhance shareholder value. Management can now focus on Fluor Daniel and A.T. Massey which have been delivering consistent, rapid earnings growth.

Doe Run is the largest integrated lead producer in North America. In 1992, the company reached full design capacity at its state-of-the-art lead recycling and environmental services facility in Missouri. It is now the only major primary and secondary lead producer in the U.S. In the past, Doe Run has demonstrated the ability to generate significant profits and cash flow. With a strong management team and reduced operating costs, Doe Run is now positioned to reach its full potential as an independent natural resources company.

MANAGEMENT CHANGES

In June, James O. Rollans was promoted to Senior Vice President and Chief Financial Officer. Jim had been Acting Chief Financial Officer since September 1991. He joined the company in 1982 as Vice President, Corporate Communications, and will continue to have responsibility for that area. In January 1993, J. Michal Conaway joined Fluor's senior management team in the newly created position of Vice President of Finance. He most recently served as Vice President and Chief Financial Officer of National Gypsum, a major industrial company headquartered in Dallas, Texas.

In December, General Louis H. Wilson, former Commandant of the Marine Corps, retired from Fluor's Board of Directors. General Wilson's 13 years of service on the Board was instrumental in guiding the company through some of its most difficult and challenging years. His wisdom, counsel and special leadership skills will be greatly missed.

BUILDING SHAREHOLDER VALUE

As discussed in last year's annual report, we are dedicated to achieving a level of superior financial performance that will build shareholder value. In a special section following this letter, we examine the steps taken to restructure the company, our long-term vision and strategic and financial goals. Our objective is to deliver financial results that consistently rank us in the top quartile of the 500 largest U.S.-based corporations.

In today's rapidly changing business environment, the most potent competitive weapon any company can have is skilled, dedicated people working hard to ensure its success. We are blessed with a talented organization and a Board of Directors who unselfishly commit their time and valuable experience to our efforts. Special thanks go to our employees and directors for their many contributions. Shareholders and clients also deserve special credit for the trust and support they provide—for they are who we endeavor to serve.

Sincerely,

DR 2801410



LES MCCRAW
CHAIRMAN AND CHIEF EXECUTIVE OFFICER



VINCE KONTRY
PRESIDENT AND CHIEF OPERATING OFFICER

January 18, 1993

STRATEGY FOR SUSTAINING SUPERIOR PERFORMANCE

Five years ago, Fluor emerged from a massive financial restructuring effort, one designed to provide a fresh start. In recreating the company, a vision was developed of what we were striving to become along with a new organizational concept. Strategic and financial goals were also established to measure progress and provide management with a gauge for redirecting efforts and resources as conditions change.

In the broadest of terms, that vision was to return the company to preeminence in the global engineering, construction and maintenance industry and to build a base for superior performance in the decade of the 1990s. In more specific terms, the objectives include the following:

- Return the company to an E&C focus, but on a widely diversified basis, in order to expand long-term growth potential and reduce cyclicalities. Today, Fluor Daniel provides more services to more clients, in more industries and geographic locations than any global competitor.
- Place the client at the center of our universe. Fluor Daniel's mission is to assist clients in attaining a competitive advantage by delivering quality services of unmatched value.

* Develop closer relationships with key clients as they globalize. Fluor Daniel has alliances with more than 30 companies, serving as an extension of the client's organization.

- Increase profitability through productivity improvements and greater client recognition of the special value our employees add to projects. Operating margin per E&C salaried employee has more than tripled since 1988.

- Evaluate the long-term strategic fit of The Doe Run Company, our lead investment, and A. T. Massey, our coal investment. At year-end 1992, the decision was made to exit the lead business. Investment in additional low-sulfur coal reserves has been increased to enhance Massey's asset value and earnings potential.

- Deliver rapid earnings growth from operations on a consistent basis. Fluor Daniel's operating profits have grown at least 15 percent for each of the past five years. A. T. Massey, our coal investment, has also shown meaningful, predictable earnings growth.

- Restore the company's financial strength to a level which provides a competitive advantage. With our strong balance sheet and investment grade credit rating, we are expanding our project finance services—a key need of many clients.

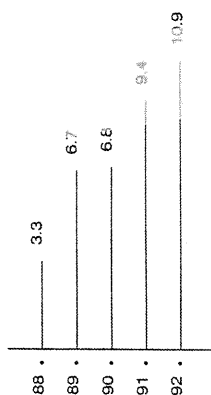
- Establish a culture which thrives on rapid, external change and recognizes that low cost, high quality services come from teamwork, trust and ethical behavior. 1992 marked our fifth consecutive year of operating profit growth despite dramatic global upheaval.

- Maintain a relentless dedication to employee safety, recognizing that people are our most important asset. Fluor Daniel's safety record is almost 36 times better than the national average.

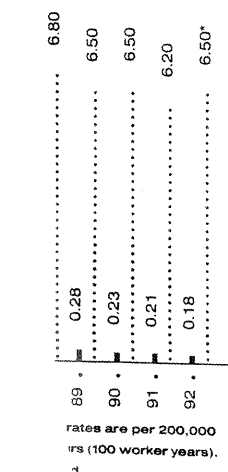
- Revitalize the company's community involvement efforts, educational support and political and public affairs. Today, Fluor is viewed as a proactive citizen in its host communities primarily through the contributions of employee involvement teams. In educational support, Fluor executives interact directly with more than 40 universities and colleges. Over 140 minority/women and engineering scholarships are granted annually. In terms of public and political affairs, Fluor's employees now fund one of the most active, bipartisan, pro-business programs in the U.S.

- Align management and shareholder objectives through incentive compensation programs. More than 70 percent of executive compensation is based on performance against intended value objectives.

E&C OPERATING
MARGIN PER SALARIED
EMPLOYEE
dollars in thousands



SAFETY PERFORMANCE
LOST WORKDAY
INCIDENCE RATES
— Fluor Daniel
.... National Average



32801411

CORPORATE STAFF

(LEFT TO RIGHT):

JAMES O. ROLLANS

P. JOSEPH TRIMBLE

CHARLES J. BRADLEY

HUGH K. COBLE

LESLIE G. MCCRAW

NAD A. PETERSON

(RETIRED)

DECEMBER 1992)

GERALD M. GLENN

VINCENT L. KONTRY



- Enhance shareholder value--stock price appreciation and dividend growth--by delivering superior results. Over the past five years, Fluor's stock price has more than doubled and cash dividends per share have been substantially increased.

These accomplishments, set against the original objectives, provide a clear measure of the company's progress, current status and long-term direction. Without question, Fluor Daniel has established itself as a leader in the global E&C industry. The company's financial health and earning power have been restored and a business strategy designed for this decade is in place.

The real challenge, however, is still in front of us: to continue to build shareholder value by delivering superior financial results on a sustained basis. We have set a target to consistently rank among the top 25 percent of the 500 largest U.S.-based corporations in net earnings growth, cash flow and return on shareholders' equity, while maintaining a strong, conservative balance sheet. Here are the primary business concepts we will use to achieve these performance goals:

- **Strategically**, we will remain committed to engineering, construction, maintenance and technical services as our core business activity with the client as our primary focus. Growth and greater diversity within the E&C industry will be achieved through partnerships, alliances, strategic acquisitions and internal investments. The company's global network of talented people, years of international experience, management systems and financial strength will be used to further differentiate Fluor Daniel from competitors in the value we provide clients. Acquisitions of low-sulfur coal reserves will be considered to increase the competitive position, profit contribution and asset value of A.T. Massey, our coal investment. The foundation of our planning will anticipate dramatic and rapid global economic, political and social change.

- **Organizationally**, we will continue to provide a work environment which challenges, enriches and rewards each individual in order to attract and retain the most talented and dedicated people in our industry. To increase operating margin per employee, we will heighten our emphasis on productivity, value-added services and project selectivity.

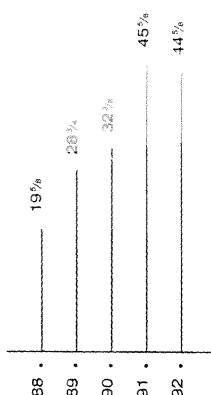
- **Culturally**, we will follow our philosophy of continuous performance improvement and excellence in execution, recognizing that we must constantly improve the quality and cost effectiveness of everything we do. Community involvement, participation in public and political affairs and educational support will be the centerpieces of our corporate outreach program.

- **Financially**, we will strive to provide shareholders with a superior return on their investment. To achieve this objective, the company expects to continue to maintain a strong balance sheet; reinvest cash flow into E&C or coal opportunities which offer superior returns or a strategic advantage; and pay cash dividends of approximately 20 percent of the previous year's earnings.

Given our leading market position, organizational talent, quality and safety philosophies and financial strength we are confident that Fluor is positioned for superior performance.

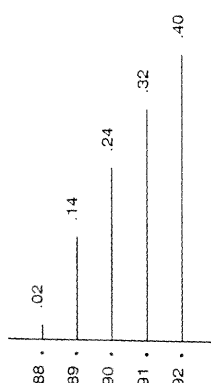
STOCK PRICE

dollars



DIVIDENDS

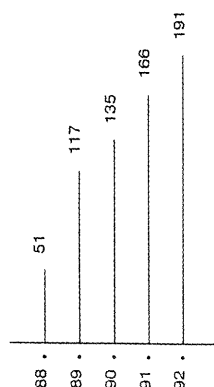
dollars



**OPERATIONS
REPORT**

FLUOR DANIEL'S HYDRO-
CARBON SECTOR IS PROVID-
ING FULL SCOPE SERVICES
FOR THE TABANGAO REFIN-
ERY EXPANSION FOR PIL-
IPINAS SHELL PETROLEUM
CORPORATION. THIS MAJOR
NEW FACILITY WILL EXTEND
THE PRESENT REFINERY
WHILE TYING IN WITH EXIST-
ING INFRASTRUCTURE.
STRONG ECONOMIC
GROWTH IN ASIA/PACIFIC IS
STIMULATING SIGNIFICANT
INTEREST AND CAPITAL
INVESTMENT IN THE REGION.

**E&C OPERATING
PROFIT**
dollars in millions



ENGINEERING & CONSTRUCTION Fluor Daniel, our core engineering and construction (E&C) business, posted its fifth consecutive year of operating profit growth, advancing 15 percent to \$191 million. A strong commitment to diversification of services, industries, clients and geographic markets expands Fluor Daniel's growth potential, while organizational flexibility mitigates the cyclical nature of individual markets and allows more consistent earnings growth.

New E&C awards in 1992, which included a number of sizable contracts, were a record \$10.9 billion, up 27 percent from a year ago. Backlog grew a strong 32 percent to \$14.7 billion. Fluor Daniel's operating strategy emphasizes a strong focus on selectivity. We identify and pursue specific projects where Fluor Daniel can add value for clients through its global experience and capabilities and gain a competitive advantage. Continuous improvement in all that we do and excellence in project execution remain fundamental cornerstones in delivering that value advantage. Our project finance capabilities leverage our financial strength into an additional value-added service for clients, further differentiating us from our competitors.

Strong client relationships and alliances not only generate repeat business, but also expand our geographic diversification. As clients globalize, we follow them into new areas. In addition, Fluor Daniel is broadening its geographical diversity and strengthening its project execution capabilities through alliances and strategic associations with local or regional market leaders. These associations include teaming with traditional competitors on individual project opportunities as well as joint venture relationships targeting specific industry or geographic markets.

Through strong investments in computer-aided engineering and telecommunications, Fluor Daniel has established a global network of offices with the capability to instantaneously respond to market opportunities anywhere in the world. The flexibility to shift work electronically allows us to balance workloads among our offices while improving productivity, reducing costs and maintaining high quality standards.

Additionally, we continue to emphasize investment in our most important assets — our people. Extensive training and professional development programs for both craftworkers and salaried employees are important elements in our emphasis on continuous improvement — a key determinant in our future success.

Fluor Daniel is dedicated to creating a culture that encourages continuous improvements so we can achieve our mission to assist clients in attaining a competitive advantage in their markets by delivering quality services of unmatched value. Understanding client needs and responding to them in an innovative and quality-driven manner is our greatest competitive strength.

HYDROCARBON SECTOR Fluor Daniel's Hydrocarbon Sector continued its steady growth during 1992. New awards for the year were a strong \$3.5 billion, slightly ahead of last year's exceptional rate of \$3.4 billion. Backlog grew 19 percent to \$4.2 billion, representing 28 percent of the company's total.

The Hydrocarbon Sector serves two primary markets. The "upstream" market includes basic production, treatment and transportation of oil and gas, while the "downstream" market involves petroleum and petrochemical refining and processing.

A variety of factors are generating significant capital investment in the hydrocarbon market worldwide. Investment to address environmental concerns and process heavier feedstocks continues to stimulate significant downstream project activity, particularly in North America and Western Europe. The market for these projects is primarily driven by legislation and tends to proceed independently of the general economy. Recent awards include projects to produce reformulated gasoline in California for both Chevron and Unocal, and projects to desulfurize diesel fuel at refineries in California, Texas and Canada. A major facility was completed in Canada during the year for Alberta Envirofuels to produce MTBE, a gasoline additive with environmental benefits. In Europe, Fluor Daniel received a contract for a major fuel oil upgrading program in Belgium for Fina and a refinery project in the Netherlands to increase the production of lighter-end petroleum products for Esso.

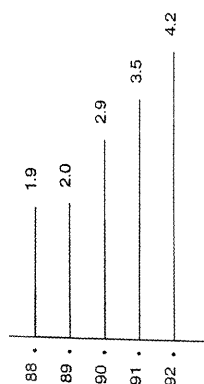
A key focus for Fluor Daniel is to be awarded certain large hydrocarbon projects located outside the U.S. where our global presence, experience and project management skills provide added value for our client. Few competitors can match Fluor Daniel's capability to handle such programs because of their size, geographic location, complexity and multi-year duration. Due to the long lead times frequently associated with these huge capital projects, a key strategy is to be highly selective in targeting those that are most likely to proceed and where Fluor Daniel can enjoy a competitive advantage.

Fundamental growth in global energy demand is generating opportunities to expand downstream processing capacity, particularly in the Asia/Pacific region. The region's demand for petroleum products is increasing to support its rapid economic growth. Fluor Daniel was awarded a major refinery expansion project during the year for Shell in the Philippines and is closely monitoring several additional opportunities for major refinery and petrochemical projects throughout the region.

International oil companies are developing long-term strategic plans to diversify their sources of supply, including development of new reserves in areas such as South America, Africa and the Commonwealth of Independent States. Fluor Daniel is providing field development support services for production and pipeline facilities to develop new reserves in Colombia for BP and is providing services to Arco to expand gas handling facilities on Alaska's North Slope.

At the same time, several oil producing countries are moving to expand their capacity to capture market share and further develop their economies. In Saudi Arabia, Fluor Daniel is continuing to perform work on the large, multi-year Saudi Aramco Crude Expansion Program. An additional project for a gas treatment plant was released in 1992. Additional projects are anticipated periodically over the life of the contract. Political turmoil in Venezuela as well as global capital constraints have

HYDROCARBON
BACKLOG
dollars in billions



slowed the pace of that country's strategic expansion plans. However, Fluor Daniel remains in a very strong position to capitalize on the long-term growth still anticipated in Venezuela.

GOVERNMENT SECTOR The Government Sector achieved exceptional growth in 1992, strengthening its long-term position in key markets. The single most significant achievement of the year was Fluor Daniel's selection to manage the environmental cleanup of the Department of Energy's (DOE) uranium production facilities in Fernald, Ohio. The initial five-year contract is valued at \$2.2 billion, with an option for an additional three years valued at \$1.8 billion. The huge cleanup program is the most significant environmental assignment ever undertaken and clearly establishes a major position for Fluor Daniel in the market for environmental services. It will establish a blueprint and standard of excellence for future DOE and private sector cleanup programs.

New awards for the year increased substantially to \$2.6 billion, compared with a year ago. Backlog grew to \$3.7 billion, representing 25 percent of the company's total.

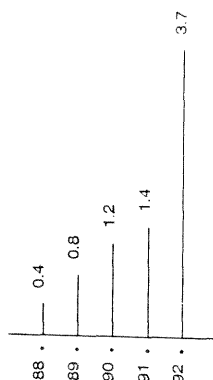
The Government Sector serves a variety of markets and clients. Environmental services are provided to both government and private sector clients. Advanced technology services, primarily relating to the nuclear fuel cycle, are focused on the DOE. Additional activities include technical services for telecommunications and infrastructure projects as well as operations and maintenance services for government installations.

A variety of political and economic factors continue to expand the long-term market potential for our environmental services. Government spending on cleanup, primarily through the DOE and Department of Defense, is growing at a vigorous pace. Clarification of U.S. environmental regulations and enforcement policies will accelerate capital expenditure commitments by private industry. Additionally, growing global environmental sensitivity should generate opportunities outside the U.S. New facilities are emphasizing process designs that reduce the production of waste and prevent pollution in the future.

As the first of several planned DOE environmental cleanup programs, Fluor Daniel's experience on the Fernald project will provide an important competitive advantage in the growth market for environmental services. During the year, we also established a core environmental capability in our Haarlem, Netherlands office to begin providing services to European clients in what is anticipated to be a significant future market.

The Government Sector's advanced technology unit is providing engineering services on a number of DOE projects that handle processing and long-term storage of spent nuclear fuels. Also, dynamic geopolitical change is driving extensive reorganization of the U.S. defense production complex. Fluor Daniel is providing technical services for DOE's weapons reconfiguration program. Our early involvement on this huge, long-term project and our demonstrated technological leadership should create significant continued opportunities on this and other future DOE projects.

GOVERNMENT
BACKLOG
dollars in billions



In the telecommunications market, Fluor Daniel was awarded the contract to design and build an Emergency 911 system in Chicago—our second major project of this type. Strong interest in similar systems across the U.S. makes this a strategic win in solidifying our position in this niche market.

Fluor Daniel's participation in the infrastructure market is narrowly focused on selected opportunities where our extensive technical skills, global experience or client relationships provide a unique competitive advantage. One significant project awarded during the year was the contract to upgrade six embassies for the U.S. State Department in former Soviet republics.

Our operations and maintenance activities increased significantly during the year with the award of our largest contract to date of this type with the U.S. Government. We were selected for a five-year contract to operate and manage oil field and oil shale properties in Colorado, Utah and Wyoming.

PROCESS SECTOR Strong growth in key markets and the beginning of a cyclical upturn helped Fluor Daniel's Process Sector deliver improved performance for 1992. New awards grew to \$1.9 billion from \$1.7 billion in 1991. Year-end backlog rose slightly to \$2.6 billion, representing 18 percent of the company's total.

The primary markets served by the Process Sector differ in their capital investment trends. The pharmaceutical and biotechnology markets tend to generate steady growth, while the chemicals and plastics markets are more cyclical. The sector also provides services to Du Pont through our long-term global alliance.

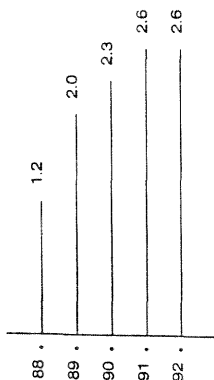
Growth in the biotechnology market has increased dramatically in recent years as the industry transitions from research to commercial production. Fluor Daniel's early alignment with the biotechnology industry, more than a decade ago, positioned us as the industry's premier supplier of technical services, allowing us to capture an increasing share of this growth market.

Significant new biotechnology projects received in 1992 include a commercial manufacturing facility in Colorado for Somatogen to produce synthetic hemoglobin; and a bulk biological manufacturing facility in Nebraska for SmithKline Beecham. Major contracts completed during the year include a facility in Washington to produce a therapeutic protein for Immunex; and an amino acids production plant in Iowa for Ajinomoto. Our ability to provide full scope services from basic design through start-up adds value for biotechnology clients who are concentrating on research and development to speed new products to the market.

The more mature pharmaceutical market is characterized by larger companies with significant internal engineering capabilities and an increased number of competitors. However, the stable nature and size of the pharmaceutical market, driven by advances in technology and medical research, continues to offer significant opportunities for our services. A new research and development facility for Merck is among the new pharmaceutical awards in 1992.

FLUOR DANIEL IS LEADING
THE ENVIRONMENTAL
CLEANUP OF AN INACTIVE
URANIUM PRODUCTION
FACILITY AT FERNALD, OHIO
FOR THE DEPARTMENT OF
ENERGY, THE MOST SIGNIFI-
CANT ENVIRONMENTAL
ASSIGNMENT EVER UNDER-
TAKEN. AS THE FIRST OF
13 SIMILAR PROJECTS, THE
\$4 BILLION, EIGHT-YEAR
FERNALD PROGRAM WILL
BE A MODEL FOR FUTURE
DOE AND PRIVATE SECTOR
CLEANUPS NATIONWIDE AND
AROUND THE WORLD.

PROCESS
BACKLOG
dollars in billions



Soft market conditions continue for chemicals and plastics due to overcapacity and slow economic growth globally. However, increased product demand and improving capacity utilization levels are moving the industry closer to a cyclical upturn. Fluor Daniel's focus on strong client relationships continues to improve our position to capitalize both on existing opportunities and a market upswing. Our worldwide capability and long-standing experience provide a competitive advantage as chemical and plastics clients focus on global expansion.

Industry consolidations to streamline costs and improve efficiency have provided some opportunities. Strategic plans to expand participation in developing global trading blocs such as the newly unified European Community are also generating activity. Additionally, significant opportunities are anticipated in the Asia/Pacific region where dynamic economic growth is stimulating plans for new facilities.

Major projects currently underway include an ethylene glycol plant in Canada for Union Carbide; and a grass roots plant in Saudi Arabia for National Methanol to produce MTBE. Several new projects were begun for Eastman Chemical in 1992 including a cellulose acetate plant in Tennessee for Eastman's joint venture with Rhone-Poulenc.

Opportunities with Process Sector clients for environmental remediation and cleanup projects have developed slowly. Uncertainty regarding the specifics of environmental requirements and the sluggish U.S. economy contributed to the delay.

The Delta Division, created to serve our strategic alliance with Du Pont, grew rapidly in 1992. A number of projects were started during the year to support Du Pont's aggressive globalization strategy. The Delta Division is currently working for Du Pont in North America, Europe and Asia/Pacific. Plans for further geographic expansion are contemplated. As a leader in their industry, Du Pont tends to signal developing trends, offering encouragement for a broader cyclical upturn in the chemicals and plastics markets.

THE PROCESS SECTOR'S
DELTA DIVISION PROVIDED
FULL SCOPE SERVICES TO
BUILD A NOMEX PRODUCTION FACILITY FOR DU PONT
IN ASTURIAS, SPAIN. OTHER
PROJECTS CURRENTLY
UNDERWAY FOR DU PONT
INCLUDE LARGE-SCALE,
GRASS ROOTS FACILITIES FOR
THF PRODUCTION IN SPAIN
AND NYLON PRODUCTION IN
ASIA/PACIFIC.

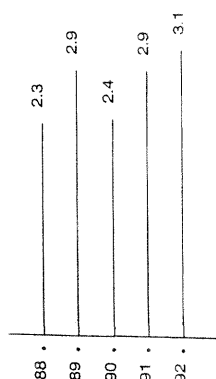
INDUSTRIAL SECTOR Broad industry and geographic diversity and a selective focus on building and maintaining strong client relationships kept Fluor Daniel's Industrial Sector growing, despite a sluggish global economy. While certain markets served by the Industrial Sector are currently weak, others have remained strong or are growing. New awards in 1992 were \$2.1 billion, equaling last year's performance. Backlog, however, grew 7 percent to \$3.1 billion, compared to \$2.9 billion a year ago.

DR 2801420

The Industrial Sector serves four broad market areas: automotive and electronics; mining and metals; pulp and paper; and foods, beverages and consumer products.

A geographically diverse range of opportunities is developing in the automotive market. Global competition for new markets and a sharp emphasis on cost reductions are stimulating plans for new capital investment by automotive manufacturers. The proposed North American Free Trade Agreement has enhanced opportunities in Mexico, where consumer demand is growing and labor costs are attractive.

INDUSTRIAL
BACKLOG
dollars in billions



A key automotive award during the year was the selection of Fluor Daniel to be the general contractor on BMW's grass roots facility in South Carolina. The award is significant not only because the client is universally recognized for the highest quality, but also because it will be the first plant ever built by BMW outside Germany. Automotive manufacturers are also looking at the Asia/Pacific region where strong economic growth is creating significant consumer demand. Like Mexico, favorable labor costs in Asia/Pacific also make it an attractive production base for export into the world market as the global economy improves.

Fluor Daniel has a long history of operating throughout the Asia/Pacific region. Our market position was strengthened with the creation of a Korean joint venture company which successfully completed its first major project in 1992. We anticipate additional project opportunities, particularly for electronics manufacturers focusing on the strong growth in consumer demand within the region.

Strong demand for copper in the electronics and telecommunications industries generated significant project opportunities during 1992. Fluor Daniel was awarded several new projects, including a major copper smelter modernization project in Utah for Kennecott; new copper processing facilities in Chile for Compania Minera Quebrada Blanca; a modification program to expand the Escondida copper concentrator in Chile previously built by Fluor Daniel; and a project to environmentally upgrade mineral processing operations in Canada for Hudson Bay.

Market activity for aluminum projects slowed somewhat during the year due to current industry overcapacity. However, the long-term trend to recycle in the U.S. and Europe will continue to generate opportunities. Renewed economic growth should speed recovery of the aluminum market.

Continued emphasis on recycling also generated project activity in pulp and paper. However, the overall market is at a cyclical low due to recent capacity additions. To improve our strategic position, Fluor Daniel has established a partnership with Jaakko Poyry of Finland, one of the pulp and paper industry's premier global engineering and design firms.

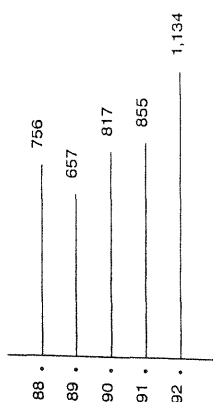
DR 2801422

The large market for technical services for the foods, beverages and consumer products industries operates somewhat independently from the general economy. Increased use of technology in processing and packaging to improve competitiveness and a continued trend to globalize operations is generating significant opportunities. Our global capability and knowledge of emerging technologies are key strengths in this growth market. Additionally, increased recognition by clients of the value-added benefits of alliance relationships has enhanced our market competitiveness.

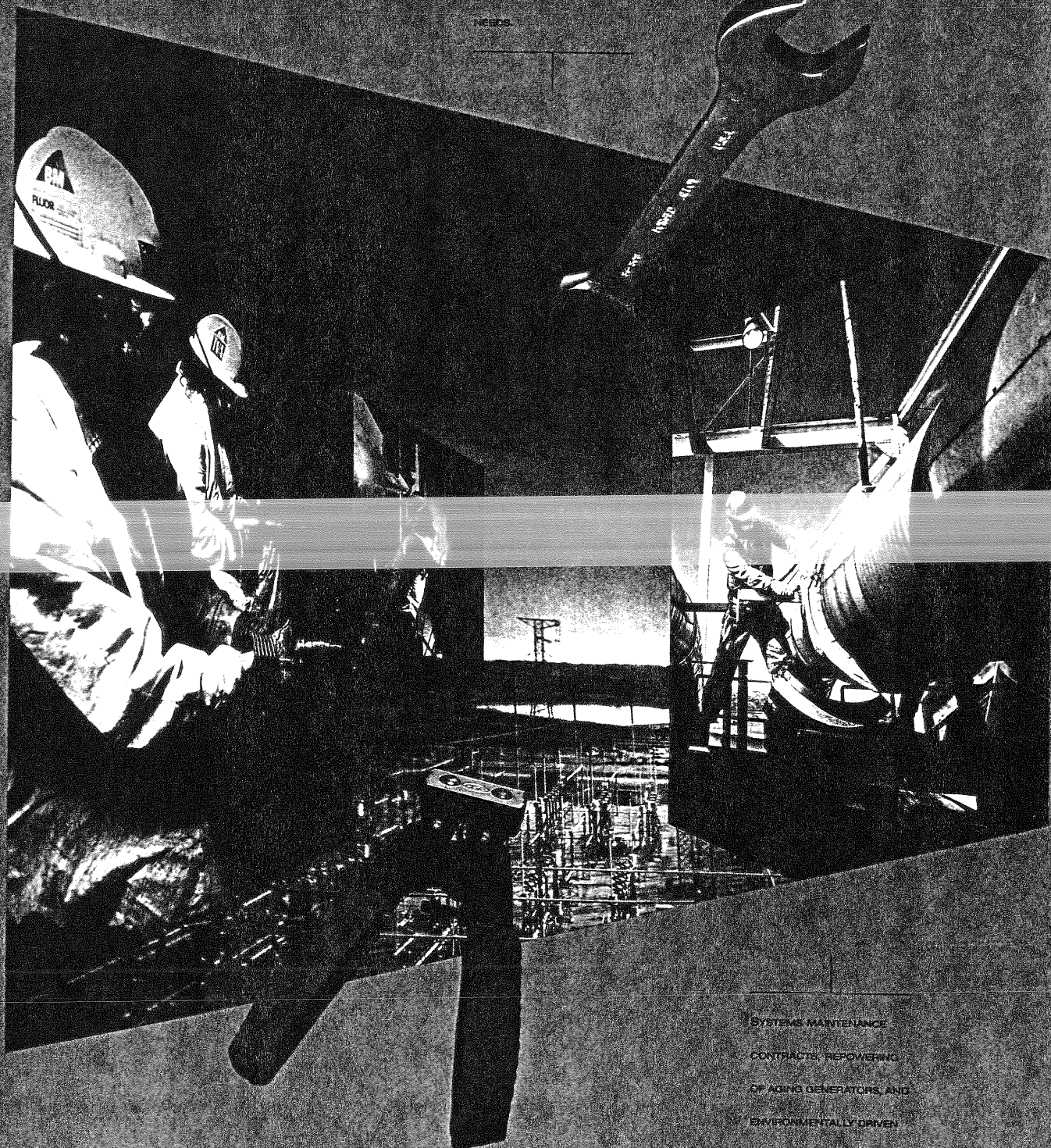
POWER SECTOR While the current level of new plant orders is low, the power industry represents a major market for Fluor Daniel with substantial capital investment being made on existing power facilities. There also continue to be significant periodic opportunities for large projects. For example, we successfully targeted and won the large baseload coal-fired plant for South Carolina Electric and Gas a year ago, one of the few major contracts awarded by a utility in recent years.

AEC INTERNATIONAL, LTD., A
KOREAN JOINT VENTURE
COMPANY FORMED BY
FLUOR DANIEL AND POSCO
ENGINEERING CO. (PEC),
RECENTLY COMPLETED THEIR
FIRST CONTRACT TO BUILD A
SILICON WAFER MANUFACTURING
FACILITY NEAR
CHONAN, KOREA FOR
POSCO-HULS CO., LTD.
INCREASING PROJECT EXPERIENCE
FOR AEC AND THE VALUE OF
OPERATING WITH A LOCAL PARTNER
SHOULD EXPAND FLUOR DANIEL'S
MARKET POTENTIAL THROUGHOUT
ASIA/PACIFIC.

POWER
BACKLOG
dollars in millions



A DIVERSE AND EXPERIENCED
WORK FORCE OFFER FLUOR
CORPORATION'S CLIENTS
STAFFING FLEXIBILITY TO
MEET THEIR PARTICULAR
NEEDS.



SYSTEMS MAINTENANCE
CONTRACTS, REPOWERING
OF AGING GENERATORS, AND
ENVIRONMENTALLY DRIVEN
CONTINUOUS EMISSIONS
MONITORING PROJECTS
OFFER SPECIFIC NEAR-TERM
OPPORTUNITIES FOR FLUOR
DANIEL'S POWER SERVICES.

DR 2801423

By focusing on near-term opportunities, Fluor Daniel's Power Sector has been quite successful relative to overall market conditions and is recognized as a major provider of technical services to the power industry. At the same time, we are strengthening our client relationships and building our market reputation to capitalize on the eventual market recovery.

Backlog for Fluor Daniel's Power Sector grew 33 percent in 1992 to \$1.1 billion, representing 8 percent of the company's total. New awards for the year were \$744 million, up from \$711 million in 1991.

Long lead times and changing technologies make early positioning on developing projects important. Fluor Daniel maintains an active position in emerging technologies. Our focus is to target projects with good operating economics and to position ourselves on opportunities that have the most potential to move forward.

Although we continue to anticipate additions to U.S. electric generating capacity, changing market dynamics and recessionary conditions have stretched out the timing when new plants will be required. Investment by utilities in demand-side management programs and increased operating efficiency has further delayed capacity additions. Opportunities for independent power producers to supply incremental power to meet demand growth continue.

Current opportunities with independent power producers are typically for gas-fired power projects, due to the generally lower capital cost and shorter construction schedules, as well as the clean burning environmental characteristics. A developing trend for natural gas producers to offer long-term supply contracts is further stimulating investment in gas-fired power plants. Fluor Daniel is a leader in integrated gasification combined cycle (IGCC), a leading technology for new power plants.

Because most independent producers must secure third-party financing for their projects, Fluor Daniel's experience, financial strength and industry reputation provide a competitive advantage. Additionally, opportunities are developing for privatized power facilities outside the U.S. We are closely evaluating these opportunities with selective clients to expand our geographic scope.

Systems maintenance remains a growing market for Fluor Daniel's power services, regardless of the extent or timing of new capacity additions. Current partnerships give us the largest backlog in the industry for this segment. The long-term nature of these projects builds strong client relationships and positions us for future opportunities. Repowering of aging generating plants represents a second near-term focus. During 1992, we completed a project to repower a coal-fired plant in New York for Salt City Energy Venture. A third area, generated by clean air legislation, is the market for continuous emissions monitoring projects. Major new contracts during 1992 include awards from Commonwealth Edison, TU Electric and Entergy.

The Power Sector's joint venture with Duke Power, Duke/Fluor Daniel, continues to focus on the market for new coal-fired facilities. Engineering work is proceeding on the 385-megawatt plant for South Carolina Electric and Gas, awarded late last year.

THE POWER SECTOR IS PER-
FORMING MODIFICATIONS
AND SUPPLEMENTAL MAINTENANCE SERVICES FOR SIX FOSSIL-FUELED POWER PLANTS IN KENTUCKY AND TENNESSEE UNDER A PARTNERING AGREEMENT WITH TENNESSEE VALLEY AUTHORITY (TVA). EXTENSIVE EXPERIENCE IN PARTNERING AGREEMENTS, AN EXCELLENT REPUTATION FOR FACILITIES MANAGEMENT AND A BROAD RANGE OF SERVICES MAKE THE COMPANY A LEADER IN THE MARKET FOR POWER SERVICES.

We are closely following the development of additional large project opportunities.

Most significantly, Indianapolis Power & Light signed a letter of intent with Duke/Fluor Daniel for a major coal-fired generating station, should the utility receive approval to construct a new baseload facility.

FLUOR CONSTRUCTORS INTERNATIONAL Fluor Constructors International, Inc. (FCII) provides construction services for certain Fluor Daniel projects worldwide, and performs union direct-hire work in North America. FCII's union construction and maintenance capabilities make Fluor the largest double-breasted company in the U.S. FCII is aligned to provide global support to all five Fluor Daniel business sectors.

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

Operating profits for Massey were \$80 million, 32 percent ahead of last year. Massey's strategy is to focus on providing its U.S. utility customers with high-quality, low-sulfur "compliance" coal to meet more stringent clean air standards that go into effect in 1995. Although market conditions for steam coal during 1992 remained soft due to mild weather and a sluggish economy, utility demand for compliance coal is expected to grow in future years. Increased economic activity or severe weather conditions would also stimulate demand.

During the year, Massey acquired additional high-quality, low-sulfur coal reserves totaling more than 320 million tons at very attractive prices. The new properties are located adjacent to existing Massey facilities and will allow production to expand in a cost-effective manner. As a result of one of its acquisitions, Massey can now provide freight advantaged coal to customers in the southeastern U.S.

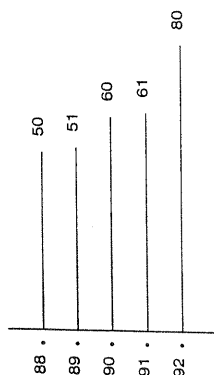
Massey's coal reserves now total nearly 1 billion tons of high-quality, low-sulfur coal, close to the level held prior to the partitioning of the company between its 50/50 joint venture partners in 1987. At that time, Fluor retained the Massey name, management and certain operating subsidiaries. More importantly, Massey's profitability has exceeded the level achieved five years ago, due to strong cost reductions and productivity gains.

Massey is also a major supplier of metallurgical coal to the steel industry. The reserves acquired during the year include high-grade metallurgical quality coal which enhances Massey's ability to penetrate the higher profit coking coal market.

An ongoing focus for Massey has been continuous improvement in its safety record which was nearly 40 percent better in 1992 than the national average.

STATE-OF-THE-ART PREPARATION FACILITIES ENABLE MASSEY COAL TO CLOSELY MONITOR AND BLEND COAL TO MEET EACH CUSTOMER'S SPECIFIC NEEDS. MASSEY'S NETWORK OF NINE OPERATING COMPANIES SUPPLIES ITS WORLDWIDE CUSTOMERS WITH BOTH LOW-SULFUR STEAM COAL, USED TO GENERATE ELECTRICITY, AND METALLURGICAL COAL, USED IN STEEL PRODUCTION.

COAL OPERATING
PROFIT
dollars in millions



\$ in thousands/Year ended October 31,	1992	1991	1990	1989	1988
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ENGINEERING AND CONSTRUCTION

Work performed	\$ 5,888,908	\$ 5,791,800	\$6,352,832	\$5,240,827	\$4,267,892
Revenues	5,903,975	5,813,477	6,383,059	5,311,653	4,225,212
Operating profit	190,658	166,212	135,124	117,439	50,819
New awards	10,867,700	8,531,600	7,632,300	7,135,300	5,955,200
Backlog	\$14,706,000	\$11,181,300	\$9,557,800	\$8,360,900	\$6,658,600
Salaried employees	17,443	17,602	19,829	17,519	15,576

\$ in millions/At October 31,	1992	1991	1990	1989	1988
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BACKLOG BY SECTOR AND LOCATION

Hydrocarbon	\$ 4,166	28%	\$ 3,493	31%	\$2,922	31%	\$1,951	23%	\$1,932	29%
Government	3,680	25	1,350	12	1,168	12	780	9	409	6
Process	2,582	18	2,553	23	2,297	24	2,038	25	1,224	19
Industrial	3,144	21	2,930	26	2,354	25	2,935	35	2,338	35
Power	1,134	8	855	8	817	8	657	8	756	11
Total backlog	\$14,706	100%	\$11,181	100%	\$9,558	100%	\$8,361	100%	\$6,659	100%
United States	\$10,649	72%	\$ 7,915	71%	\$6,724	70%	\$6,404	77%	\$5,298	80%
Outside United States	4,057	28	3,266	29	2,834	30	1,957	23	1,361	20
Total backlog	\$14,706	100%	\$11,181	100%	\$9,558	100%	\$8,361	100%	\$6,659	100%

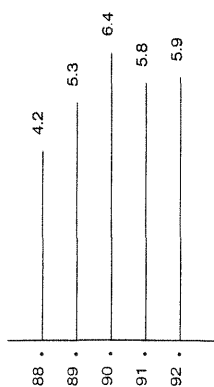
\$ in thousands/in thousands of short tons Year ended October 31,	1992	1991	1990	1989	1988
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COAL

Revenues	\$696,721	\$758,481	\$865,809	\$815,558	\$783,719
Operating profit	\$ 80,281	\$ 60,709	\$ 60,241	\$ 51,007	\$ 50,375
Steam coal produced	13,832	13,472	13,151	12,303	11,078
Metallurgical coal produced	3,867	3,421	5,569	4,191	3,980
Produced coal sold	17,538	16,982	18,596	16,582	15,025
Purchased coal sold	4,402	6,578	7,989	9,300	10,038
Employees	1,252	1,133	1,214	1,435	1,232

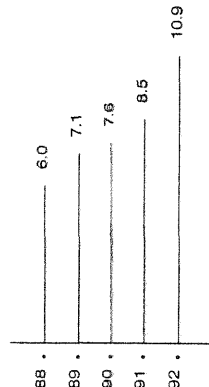
E&C REVENUES

dollars in billions



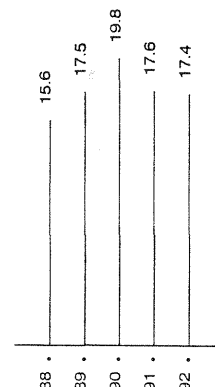
NEW AWARDS

dollars in billions



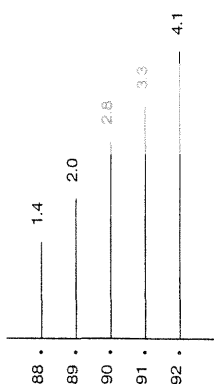
E&C SALARIED EMPLOYEES

in thousands



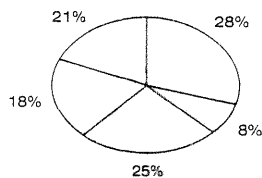
INTERNATIONAL BACKLOG

dollars in billions



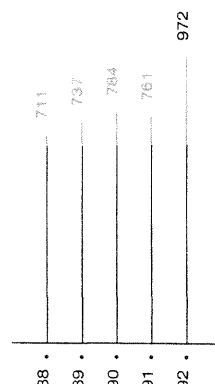
BACKLOG BY SECTOR

Hydrocarbon 28%
Industrial 21%
Government 25%
Process 18%
Power 8%



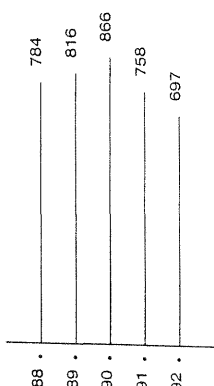
COAL RESERVES

millions of short tons



COAL REVENUES

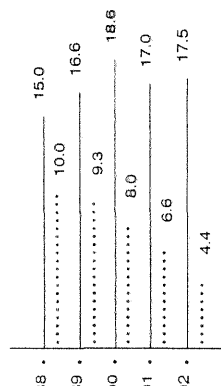
dollars in millions



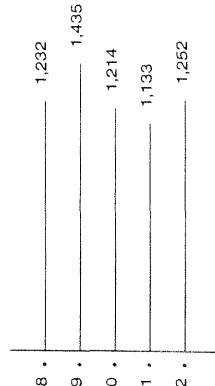
COAL SOLD

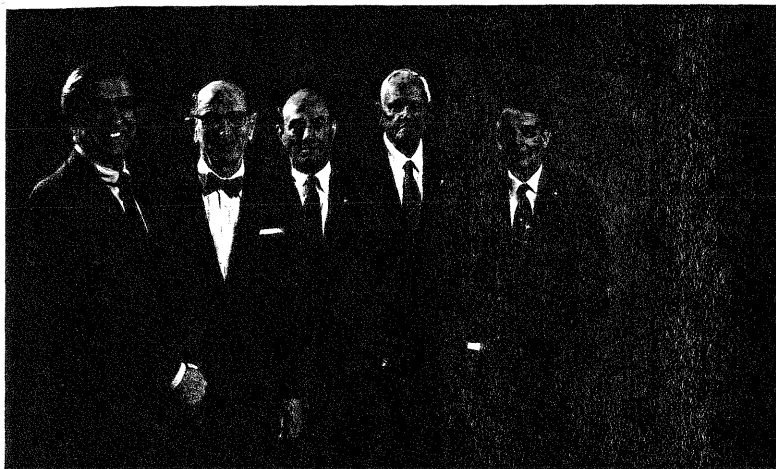
millions of short tons

— Produced
.... Purchased

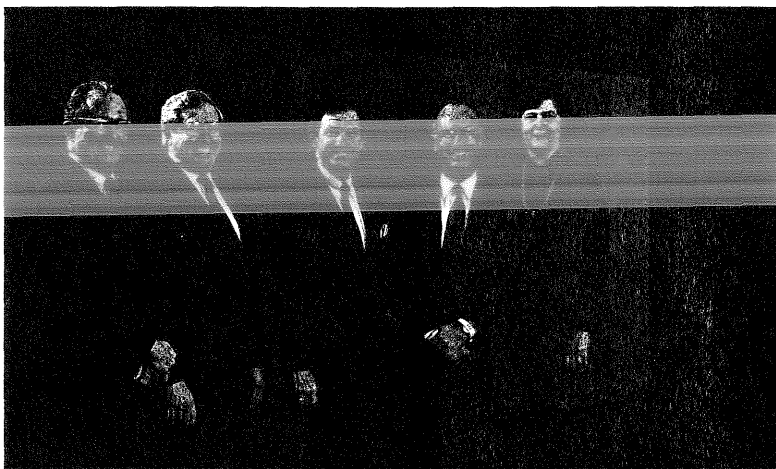


COAL EMPLOYEES





Class I Directors (left to right): Vincent L. Kontny, William R. Grant, Gerald M. Glenn, General Louis H. Wilson (retired December 1992), and E. Morgan Massey.



Class II Directors (left to right): Robert V. Lindsay, Hugh K. Coble, Leslie G. McCraw, Dr. David P. Gardner, and Dr. Martha R. Seger.



Class III Directors (left to right): Peter J. Fluor, Buck Mickel, David S. Tappan, Jr., and Admiral Bobby R. Inman.

DIRECTORS

LESLIE G. MCCRAW (1)*(3)

Chairman of the Board and Chief Executive Officer (1984)

VINCENT L. KONTNY (1)

President and Chief Operating Officer (1988)

HUGH K. COBLE (1)

Group President, Fluor Daniel, Inc. (1984)

PETER J. FLUOR (2)(4)

President of Texas Crude, Inc. (1984)

DAVID P. GARDNER (3)(4)

President of the William and Flora Hewlett Foundation and former President, University of California (1988)

GERALD M. GLENN (1)

Group President, Fluor Daniel, Inc. (1988)

WILLIAM R. GRANT (2)(4)*

Chairman of the Board of Galen Associates (1982)

BOBBY R. INMAN (2)(3)*

Admiral U.S. Navy (Retired) (1985)

ROBERT V. LINDSAY (2)*(4)

Retired, President of Morgan Guaranty Trust Company of New York (1982)

E. MORGAN MASSEY

Chairman Emeritus, A. T. Massey Coal Company, Inc. (1987)

BUCK MICKEL

Retired, Vice Chairman of the Board (1977)

MARTHA R. SEGER (2)(3)

John M. Olin Distinguished Fellow, University of Arizona and former Member, Board of Governors of the Federal Reserve System (1991)

DAVID S. TAPPAN, JR.

Retired, Chairman of the Board and Chief Executive Officer (1965)

LOUIS H. WILSON

General, U.S. Marine Corps (Retired) and former Commandant of the Marine Corps (1979) (Retired December 1992)

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

(1) Member of the Executive Committee

(2) Member of the Audit Committee

(3) Member of the Nominating Committee

(4) Member of the Organization and Compensation Committee

*Committee Chairman

CORPORATE EXECUTIVE OFFICERS

LESLIE G. MCCRAW

Chairman of the Board and Chief Executive Officer (1975)

VINCENT L. KONTNY

President and Chief Operating Officer (1965)

NAD A. PETERSON

Senior Vice President and Secretary (1967)
(Retired December 1992)

JAMES O. ROLLANS

Senior Vice President and Chief Financial Officer (1982)

P. JOSEPH TRIMBLE

Senior Vice President-Law and Secretary (1972)

CHARLES J. BRADLEY

Vice President-Human Resources and Administration (1958)

J. MICHAEL CONAWAY

Vice President-Finance (1993)

CORPORATE OFFICERS

BETTY H. BOWERS

Vice President-Government Relations (1974)

LAWRENCE N. FISHER

Vice President-Corporate Law (1974)

J. ROBERT FLUOR II

Vice President-Corporate Relations (1967)

THOMAS H. MORROW

Vice President-Tax (1984)

DAVID J. H. NICOLL

Vice President-Project Finance (1989)

SENIOR INTERNATIONAL ADVISORS

DR. WILLIAM A. COCHRANE

Fluor Daniel Canada, Inc.
Canada

FREDERICK ESSER

Fluor Daniel GmbH
Germany

SIR FRANCIS KENNEDY

Fluor Daniel Limited
United Kingdom

SIR JOHN MASON

Fluor Daniel Australia Limited
Australia

COR VAN RIJN

Fluor Daniel B.V.
The Netherlands

FLUOR DANIEL EXECUTIVE OFFICERS

VINCENT L. KONTNY

President (1965)

HUGH K. COBLE

Group President (1966)

GERALD M. GLENN

Group President (1964)

FLUOR DANIEL GROUP EXECUTIVES

DENNIS G. BERNHART (1968)

RICHARD D. CARANO (1970)

CHARLES R. COX (1969)

CHARLES R. OLIVER (1970)

EMIL J. PARENTE (1978)

CHARLES P. PRINGLE (1970)

JAMES C. STEIN (1964)

STEVEN G. TAPPAN (1977)

RICHARD M. TEATER (1980)

JOSEPH P. PANICHI

Vice President, Financial Operations (1976)

FLUOR CONSTRUCTORS
INTERNATIONAL, INC.**RICHARD A. FLINTON**

Chairman (1960)

G. WILLIAM GILFILLAN

President (1989)

LARRY VONDRA

Controller (1971)

A.T. MASSEY COAL COMPANY, INC.**DON L. BLANKENSHIP**

Chairman and Chief Executive Officer (1982)

WYNSTON D. HOLBROOK

Executive Vice President-Sales (1972)

BENNETT K. HATFIELD

Chief Coordinating Officer for CSX Operations (1983)

H. DREXEL SHORT

Chief Coordinating Officer for Norfolk Southern Operations (1981)

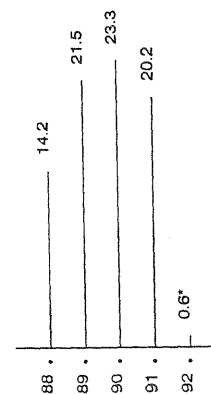
DAVID H. FEW

Vice President and Chief Financial Officer and Treasurer (1981)

FINANCIALS

RETURN ON EQUITY

percent

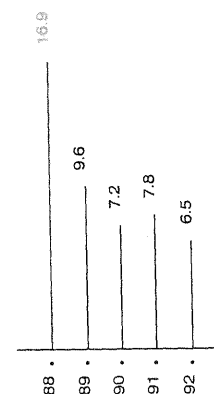


*Reflects impact of non-recurring charges in 1992 for discontinuation of the Lead segment and adoption of SFAS No. 106

LONG-TERM DEBT

TO CAPITALIZATION

percent



CONTENTS

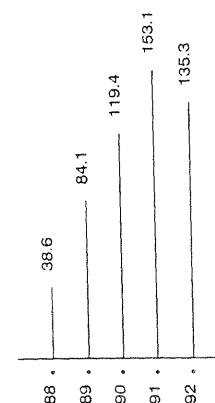
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EARNINGS

FROM CONTINUING

OPERATIONS

dollars in millions



DR 2801431

The following discussion and analysis is provided to increase understanding of, and should be read in conjunction with, the consolidated financial statements and accompanying notes.

RESULTS OF OPERATIONS

Earnings from continuing operations were \$135 million in 1992 compared with \$153 million in 1991 and \$119 million in 1990. The related earnings per share were \$1.65 in 1992 compared with \$1.87 in 1991 and \$1.47 in 1990. Earnings from continuing operations in 1991 and 1990 include nonrecurring gains of approximately \$22 million and \$19 million, respectively, while there were no comparable items in 1992. Revenues increased slightly in 1992 following a 9 percent decrease in 1991.

ENGINEERING AND CONSTRUCTION

The company experienced growth in each of the market sectors it serves which resulted in an increase in new awards of 27 percent to \$10.9 billion in 1992, compared with \$8.5 billion in 1991 and \$7.6 billion in 1990.

The following table sets forth new awards for each of the company's business sectors:

\$ in millions/Year ended October 31,	1992		1991		1990	
Hydrocarbon	\$ 3,547	32%	\$3,424	40%	\$2,379	31%
Government	2,584	24	635	8	887	12
Process	1,853	17	1,702	20	1,780	23
Industrial	2,140	20	2,060	24	1,686	22
Power	744	7	711	8	900	12
Total new awards	\$10,868	100%	\$8,532	100%	\$7,632	100%
United States	\$ 7,348	68%	\$5,586	65%	\$5,268	69%
Outside United States	3,520	32	2,946	35	2,364	31
Total new awards	\$10,868	100%	\$8,532	100%	\$7,632	100%

Effective at the beginning of fiscal 1992, the Hydrocarbon sector's Mining and Metallurgy business unit was combined with the Industrial sector's Metals business unit. The combined new unit, Mining and Metals, was reported as part of the Industrial sector in the above table for 1992. New awards for 1991 and 1990 were not restated for this change.

Total backlog at October 31, 1992, 1991, and 1990 was \$14.7 billion, \$11.2 billion and \$9.6 billion, respectively. The ratio of work outside the U.S. at October 31, 1992 and 1991 remained approximately the same, despite a sharp increase in U.S. new awards in 1992. This increase was due primarily to the company being selected to manage the environmental cleanup of the Department of Energy's uranium production facilities in Fernald, Ohio. The initial five-year contract is valued at \$2.2 billion which has been included in backlog, with an option for an additional three years valued at \$1.8 billion. Consistent with the company's long-term goals, backlog for work outside the United States at October 31, 1992 grew by \$791 million, a 24% increase from the October 31, 1991 level.

Engineering and Construction operating profits increased 15 percent to \$191 million in 1992 compared with \$166 million in 1991 and \$135 million in 1990 reflecting continuing improved margins on work performed. The improvement in margins in 1992 from the prior two years was due both to increased profit levels on incentive based contracts, consistent with the company's operating strategy, and the long lead times on new, larger contracts which have resulted in a change in mix to higher levels of engineering and design services and lower levels of construction related services on work performed during the period.

COAL

Revenues and operating profit from Coal operations in 1992 were \$697 million and \$80 million, respectively, compared with revenues of \$758 million and operating profit of \$61 million in 1991. Revenues and operating profit in 1990 were \$866 million and \$60 million, respectively. The decrease in revenues in 1992 is due primarily to lower sales volume of brokered coal that more than offset a 2 percent increase in produced coal revenues. Overall sales volume is down due to decreased demand resulting

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from mild weather together with continued recessionary market conditions. However, margins improved in 1992 due to a greater emphasis on produced coal sales, which had a 23 percent margin in 1992, compared with brokered coal which had a 4 percent margin. The effect of emphasizing produced coal sales from existing and newly acquired mines resulted in an increase in overall gross margin percentage to 20 percent in 1992 from 17 percent in 1991, which accounted for slightly more than half of the increase in total operating profit in 1992. The remainder of the increase in operating profit is due primarily to a gain on the sale of a coal processing plant.

Lower volume in 1991 accounted for over 93 percent of the decrease in revenues compared with 1990. Coal revenues declined in 1991 due to recessionary market conditions and a mild winter creating weak demand in the first half of the year. Operating profit for 1991 remained level with 1990, despite a 12 percent decline in revenues, primarily due to improved margins on produced coal which accounted for the majority of revenues.

Under the Coal Industry Retiree Health Benefits Act of 1992, Massey is required to fund medical and death benefits of certain beneficiaries. Massey's obligation under the Act is estimated to aggregate \$27 million which will be recognized as expense as payments are assessed. Annual payments are estimated to be approximately \$2 million to \$3 million.

OTHER

In 1992 the company had net interest expense of \$257 thousand compared with net interest income of \$31 million in 1991 and \$22 million in 1990. This significant decline in 1992 is partially attributable to the elimination of the Company's high-interest-earning bond portfolio in connection with the repurchase of its Sugar Land facility in 1991 and lower levels of short-term interest-earning assets resulting from capital expenditures at Massey Coal and the prepayment of long-term notes in the third quarter of 1992. Also contributing to the reduction in net interest income was an overall drop in interest rates which resulted in declining yields on the company's short-term interest-earning assets. Net interest income increased in 1991 compared with 1990 due primarily to higher balances of interest-earning assets and \$5.8 million of interest related to the favorable settlement of certain income tax issues.

Corporate administrative and general expense decreased in 1992 compared to 1991 primarily due to lower stock price driven compensation plan expense, an increase in net periodic pension income and lower corporate overhead costs. Corporate administrative and general expense increased in 1991 compared to 1990 primarily due to higher stock price driven compensation plan expense in the first half of 1991.

Effective November 1, 1991, the company adopted Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions." The statement requires accrual of the expected cost of providing postretirement benefits during the years that employees render service. The company elected immediate recognition of the transition obligation in 1992 which resulted in a one time net charge to earnings of \$33 million, or \$.40 per share.

The company also adopted Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" (SFAS No. 109) in 1992. SFAS No. 109 requires recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in the company's financial statements or tax returns. The company's financial statements have been restated from the year ended October 31, 1987 to give retroactive effect to the adoption of SFAS No. 109. The restatement resulted in an increase in earnings from continuing operations of \$3.6 million and \$6.5 million in 1991 and 1990, respectively. The restatement also resulted in a \$138 million reduction of additional capital at October 31, 1987. This charge was made to additional capital because the company's quasi reorganization in 1987 eliminated the retained earnings balance. There is no significant difference between the effective federal income tax rate on earnings from continuing operations and the statutory rate in 1992, 1991 and 1990 after excluding the 1990 reversal of \$19 million of income tax liabilities relating to A. T. Massey Coal Company, Inc.

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

by \$19.6 million net of a \$5 million provision for foreign lease reserves. The company also sold its minority interest in Centre Reinsurance Holdings Ltd., a Bermuda-based insurer resulting in a 1991 pretax gain of \$16.4 million.

DISCONTINUED OPERATIONS

In November 1992, the company announced its decision to exit its Lead business, resulting in an estimated after-tax loss of approximately \$79 million. This estimated loss includes an after-tax provision for estimated operating losses through the date of disposition. Lead operations incurred a net loss from operations in 1992 of \$17 million compared with a net loss of \$1 million in 1991 and earnings of \$27 million in 1990. Revenues applicable to Lead operations were \$143 million, \$170 million and \$197 million in 1992, 1991, and 1990, respectively. The losses in 1992 and 1991 are attributable to both lower sales volume and lead prices. Additionally, operations were adversely impacted by a strike at the Herculanum, Missouri smelter in 1992. A new work force has been hired at the smelter.

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

During 1990 the company sold the Pea Ridge Iron Ore Company resulting in net cash proceeds of approximately \$12 million and an after-tax gain of \$8 million (\$.10 per share).

FINANCIAL POSITION AND LIQUIDITY

Working capital at October 31, 1992 was \$293 million compared with \$311 million at October 31, 1991. Working capital decreased 6 percent primarily due to significant additional investments in the company's coal operations and the prepayment of certain long-term debt, partially offset by the reclassification of net noncurrent assets relating to the company's Lead business. Capital expenditures for 1992 were \$287 million compared with \$160 million in 1991 and \$156 million in 1990. Capital expenditures at Massey Coal in 1992 were \$214 million, which included approximately \$115 million related to new coal reserve and facility acquisition costs, with the remainder attributable to on-going mining operations. In 1991 total capital expenditures at Massey were approximately \$68 million, including \$12 million related to coal reserve acquisitions and mine start-up. The company anticipates that this substantial investment in its coal operations in 1992 will ensure continued supply for key long-term contracts and provide increased future earnings growth at Massey.

The long-term debt to capitalization ratio at October 31, 1992 was 6.5 percent compared with 7.8 percent and 7.2 percent at October 31, 1991 and 1990, respectively. The 1992 ratio decreased primarily due to the prepayment of \$16 million of long-term debt in 1992 and the reclassification of certain other notes from long-term to current. This more than offset the addition to long-term debt resulting from the assumption of a \$35 million note associated with the purchase of an engineering building in Greenville, South Carolina. At October 31, 1992, all long-term debt bears interest at fixed rates.

The company has on hand and access to sufficient sources of funds to meet its anticipated operating, expansion, and capital needs. Significant short and long-term lines of credit are maintained with banks which, along with cash on hand and marketable securities, provide adequate operating liquidity. Additional liquidity is provided by the company's commercial paper program under which there was \$30 million and \$29.9 million outstanding as of October 31, 1992 and 1991, respectively.

Quarterly cash dividends of \$.06 per share in December 1989 were raised to \$.08 per share in December 1990, to \$.10 per share in December 1991 and to \$.12 per share in December 1992.

Although the company is affected by inflation and the cyclical nature of the industry, its Engineering and Construction operations are generally protected by the ability to recover cost increases through price escalation provisions in most contracts. Coal operations produce a commodity which is internationally traded at prices established by market factors outside the control of the company. However, commodity prices generally tend to reflect a correlation to inflationary trends over the long term and the company's substantial coal reserves provide a hedge against the adverse long-term effects of inflation. Although the company has taken actions to reduce its dependence on external economic conditions, management is unable to predict with certainty the amount and mix of future business.

\$ in millions, except per share amounts	1992	1991	1990	1989	1988
OPERATING RESULTS					
Revenues from continuing operations	\$ 6,600.7	\$ 6,572.0	\$7,248.9	\$6,127.2	\$5,008.9
Earnings from continuing operations before taxes	215.4	228.4	153.6	135.6	62.0
Earnings from continuing operations, net	135.3	153.1	119.4	84.1	38.6
Earnings (loss) from discontinued operations, net	(96.6)	11.0	35.2	28.6	21.6
Cumulative effect of change in accounting principle, net	(32.9)	—	—	—	—
Net earnings	5.8	164.1	154.6	112.7	60.2
Earnings per share					
Continuing operations	1.65	1.87	1.47	1.04	0.48
Discontinued operations	(1.18)	0.14	0.43	0.36	0.27
Cumulative effect of change in accounting principle	(0.40)	—	—	—	—
Net earnings	\$ 0.07	\$ 2.01	\$ 1.90	\$ 1.40	\$ 0.75
Return on average shareholders' equity	0.6%	20.2%	23.3%	21.5%	14.2%
Cash dividends per common share	\$ 0.40	\$ 0.32	\$ 0.24	\$ 0.14	\$ 0.02
FINANCIAL POSITION					
Current assets	\$ 1,138.6	\$ 1,159.5	\$1,222.8	\$1,036.4	\$1,001.0
Current liabilities	845.4	848.2	984.0	797.7	786.1
Working capital	293.2	311.3	238.8	238.7	214.9
Property, plant and equipment, net	1,046.9	1,092.7	925.3	775.3	729.8
Total assets	2,365.5	2,421.4	2,475.8	2,154.3	2,075.7
Capitalization					
Long-term debt	61.3	75.7	57.6	62.5	95.0
Shareholders' equity	880.8	900.6	741.3	589.9	467.1
Total capitalization	\$ 942.1	\$ 976.3	\$ 798.9	\$ 652.4	\$ 562.1
Percent of total capitalization					
Long-term debt	6.5	7.8	7.2	9.6	16.9
Shareholders' equity	93.5	92.2	92.8	90.4	83.1
Shareholders' equity per common share	\$ 10.81	\$ 11.10	\$ 9.22	\$ 7.39	\$ 5.91
Common shares outstanding at October 31	81.5	81.1	80.4	79.8	79.1
OTHER DATA					
New awards	\$10,867.7	\$ 8,531.6	\$7,632.3	\$7,135.3	\$5,955.2
Backlog at year end	14,706.0	11,181.3	9,557.8	8,360.9	6,658.6
Capital expenditures	287.0	159.7	155.7	139.2	86.3
Cash provided by operating activities	\$ 318.3	\$ 229.7	\$ 353.1	\$ 265.1	\$ 17.7

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

The quarterly dividend was increased from \$.02 per share to \$.04 per share in the second quarter of 1989, to \$.06 per share in the first quarter of 1990, to \$.08 per share in the first quarter of 1991, to \$.10 per share in the first quarter of 1992 and to \$.12 per share in the first quarter of 1993.

Certain prior year amounts have been restated to reflect the new method of accounting for income taxes and to reflect the Lead segment as a discontinued operation.

CONSOLIDATED STATEMENT OF EARNINGS

FLUOR 29

In thousands, except per share amounts/Year ended October 31,

	1992	1991	1990
REVENUES			
Engineering and construction services	\$5,903,975	\$5,813,477	\$6,383,059
Coal	696,721	758,481	865,809
Total revenues	6,600,696	6,571,958	7,248,868
COST OF REVENUES			
Engineering and construction services	5,729,148	5,655,793	6,260,265
Coal	616,671	697,985	805,568
Total cost of revenues	6,345,819	6,353,778	7,065,833
OTHER (INCOME) AND EXPENSE			
Corporate administrative and general expense	39,270	57,032	51,274
Reduction in accrued lease cost, net	—	(19,649)	—
Gain on sale of investment	—	(16,426)	—
Interest expense	23,580	16,466	15,035
Interest income	(23,323)	(47,644)	(36,854)
Total costs and expenses	6,385,346	6,343,557	7,095,288
EARNINGS FROM CONTINUING OPERATIONS BEFORE TAXES	215,350	228,401	153,580
INCOME TAX EXPENSE	80,100	75,312	34,192
EARNINGS FROM CONTINUING OPERATIONS	135,250	153,089	119,388
EARNINGS (LOSS) FROM DISCONTINUED OPERATIONS, NET	(96,566)	11,059	35,238
EARNINGS BEFORE CHANGE IN ACCOUNTING PRINCIPLE	38,684	164,148	154,626
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE, NET	(32,866)	—	—
NET EARNINGS	\$ 5,818	\$ 164,148	\$ 154,626
EARNINGS PER SHARE			
Continuing operations	\$ 1.65	\$ 1.87	\$ 1.47
Discontinued operations	(1.18)	.14	.43
Cumulative effect of change in accounting principle	(.40)	—	—
NET EARNINGS PER SHARE	\$.07	\$ 2.01	\$ 1.90
SHARES USED TO CALCULATE EARNINGS PER SHARE	81,558	81,807	81,313

See Notes to Consolidated Financial Statements.

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30 CONSOLIDATED BALANCE SHEET

\$ in thousands / At October 31,	1992	1991
A S S E T S		
C U R R E N T A S S E T S		
Cash and cash equivalents	\$ 195,346	\$ 184,022
Marketable securities	147,584	186,042
Accounts and notes receivable	312,354	385,838
Contract work in progress	219,108	256,564
Inventories	31,188	82,612
Net assets of discontinued operations	138,638	—
Deferred taxes	70,204	38,464
Other current assets	24,133	25,983
Total current assets	1,138,555	1,159,525
P R O P E R T Y , P L A N T A N D E Q U I P M E N T		
Land	61,581	67,873
Buildings and improvements	294,944	273,840
Machinery and equipment	569,349	554,584
Mining properties and mineral rights	449,966	488,732
Construction in progress	40,091	89,720
	1,415,931	1,474,749
Less accumulated depreciation, depletion and amortization	369,046	382,020
Net property, plant and equipment	1,046,885	1,092,729
O T H E R A S S E T S		
Investments and goodwill, net of accumulated amortization of \$36,388 and \$28,215, respectively	56,761	69,852
Other	123,295	99,329
Total other assets	180,056	169,181
	\$2,365,496	\$2,421,435

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	1992	1991
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 199,001	\$ 267,397
Commercial paper	29,957	29,928
Advance billings on contracts	174,409	155,626
Accrued salaries, wages and benefit plan liabilities	191,895	188,071
Other accrued liabilities	204,449	189,465
Current portion of long-term debt	45,693	17,726
Total current liabilities	845,404	848,213
LONG-TERM DEBT DUE AFTER ONE YEAR	61,262	75,682
NONCURRENT LIABILITIES		
Deferred taxes	63,109	79,627
Other	514,919	517,268
Total noncurrent liabilities	578,028	596,895
CONTINGENCIES AND COMMITMENTS		
SHAREHOLDERS' EQUITY		
Capital stock		
Preferred—authorized 20,000,000 shares without par value, none issued		
Common—authorized 150,000,000 shares of \$.625 par value; issued and outstanding in 1992—81,480,008 shares and in 1991—81,111,731 shares	50,925	50,695
Additional capital	436,063	424,616
Retained earnings (since October 31, 1987)	407,218	433,886
Unamortized executive stock plan expense	(14,610)	(10,797)
Cumulative translation adjustment	1,206	2,245
Total shareholders' equity	880,802	900,645
	\$2,365,496	\$2,421,435

See Notes to Consolidated Financial Statements.

In thousands/Year ended October 31,

1992

1991

1990

CASH FLOWS FROM OPERATING ACTIVITIES

Net earnings	\$ 5,818	\$ 164,148	\$ 154,626
Adjustments to reconcile net earnings to cash provided by operating activities:			
Depreciation, depletion and amortization	135,259	121,482	109,775
Discontinued operations	127,275	—	—
Change in accounting principle	53,008	—	—
Deferred taxes	(55,674)	(18,248)	13,352
Reduction in accrued lease cost, net	—	(19,649)	—
Gain on sale of investment	—	(16,426)	—
Change in operating assets and liabilities	37,021	(24,964)	94,664
Other, net	15,580	23,365	(19,275)
Cash provided by operating activities	318,287	229,708	353,142

CASH FLOWS FROM INVESTING ACTIVITIES

Capital expenditures	(287,046)	(159,718)	(155,686)
Sale (purchase) of marketable securities, net	38,458	(105,756)	(41,341)
Purchase of Sugar Land real estate partnership interests	—	(64,311)	—
Proceeds from sale of investment	—	31,426	—
Proceeds from sale of property, plant and equipment	11,493	14,699	6,066
Increase ownership in Doe Run to 100 percent	—	—	(125,000)
Proceeds from sale of discontinued operations, net	—	—	11,783
Other, net	(1,169)	10,869	5,182
Cash utilized by investing activities	(238,264)	(272,791)	(298,996)

CASH FLOWS FROM FINANCING ACTIVITIES

Payments of long-term debt	(17,969)	(483)	(44,953)
Issuance of commercial paper, net	29	29,928	—
Cash dividends paid	(32,486)	(25,825)	(19,227)
Stock repurchase	(3,673)	—	—
Other, net	(14,600)	(6,404)	5,046
Cash utilized by financing activities	(68,699)	(2,784)	(59,134)
Increase (decrease) in cash and cash equivalents	11,324	(45,867)	(4,988)
Cash and cash equivalents at beginning of year	184,022	229,889	234,877
Cash and cash equivalents at end of year	\$ 195,346	\$ 184,022	\$ 229,889

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

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In thousands, except per share amounts Year ended October 31, 1990, 1991 and 1992	Common Stock	Additional Capital	Retained Earnings	Unamortized Executive Stock Plan Expense	Cumulative Translation Adjustment	Total
BALANCES AT OCTOBER 31, 1989 AS PREVIOUSLY REPORTED	\$49,871	\$522,615	\$152,172	\$ (4,439)	\$ 144	\$ 720,363
Adoption of new income tax accounting standard		(138,441)	7,992			(130,449)
BALANCES AT OCTOBER 31, 1989 AS RESTATED	49,871	384,174	160,164	(4,439)	144	589,914
Net earnings			154,626			154,626
Cash dividends (\$.24 per share)			(19,227)			(19,227)
Exercise of stock options, net	299	7,452				7,751
Amortization of executive stock plan expense				2,070		2,070
Issuance of restricted stock, net	74	4,318		(4,436)		(44)
Tax benefit of net operating loss		2,900				2,900
Translation adjustment (net of deferred taxes of \$1,682)					3,266	3,266
BALANCES AT OCTOBER 31, 1990	50,244	398,844	295,563	(6,805)	3,410	741,256
Net earnings			164,148			164,148
Cash dividends (\$.32 per share)			(25,825)			(25,825)
Exercise of stock options, net	394	10,364				10,758
Stock option tax benefit		8,463				8,463
Amortization of executive stock plan expense				839		839
Issuance of restricted stock, net	57	4,646		(4,831)		(128)
Tax benefit of net operating loss		2,299				2,299
Translation adjustment (net of deferred taxes of \$600)					(1,165)	(1,165)
BALANCES AT OCTOBER 31, 1991	50,695	424,616	433,886	(10,797)	2,245	900,645
Net earnings			5,818			5,818
Cash dividends (\$.40 per share)			(32,486)			(32,486)
Exercise of stock options, net	217	5,996				6,213
Stock option tax benefit		4,024				4,024
Amortization of executive stock plan expense				1,425		1,425
Issuance of restricted stock, net	20	5,093		(5,238)		(125)
Common stock repurchase	(7)	(3,666)				(3,673)
Translation adjustment (net of deferred taxes of \$535)					(1,039)	(1,039)
BALANCES AT OCTOBER 31, 1992	\$50,925	\$436,063	\$407,218	\$(14,610)	\$ 1,206	\$ 880,802

See Notes to Consolidated Financial Statements.

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MAJOR ACCOUNTING POLICIES**PRINCIPLES OF CONSOLIDATION**

The financial statements include the accounts of the company and its subsidiaries. The equity method of accounting is used for investment ownership ranging from 20 percent to 50 percent. Investment ownership of less than 20 percent is accounted for on the cost method. The company does not consolidate entities for which control is deemed temporary. In November, 1992 the company announced its decision to exit its Lead business and, accordingly, the assets and liabilities of the Lead segment as of October 31, 1992 are shown as net assets of discontinued operations. The results of operations for the Lead business are shown separately under discontinued operations, with prior years Consolidated Statement of Earnings restated for comparative purposes. All significant intercompany transactions of consolidated subsidiaries are eliminated. Certain 1991 and 1990 amounts have been reclassified to conform with the 1992 presentation.

ENGINEERING AND CONSTRUCTION CONTRACTS

The company recognizes engineering and construction contract revenues using the percentage-of-completion method, primarily based on contract costs incurred to date compared with total estimated contract costs. Customer furnished materials, labor and equipment and in certain cases subcontractor materials, labor and equipment are included in revenue and cost of revenue when management believes that the company is responsible for the ultimate acceptability of the project. Contracts are segmented between engineering and construction efforts and, accordingly, gross margin related to each activity is recognized as those separate services are rendered. Changes to total estimated contract costs or losses, if any, are recognized in the period they are determined. Revenues recognized in excess of amounts billed are classified as current assets under contract work in progress. The company anticipates that a significant portion of incurred costs associated with contract work in progress at October 31, 1992 will be billed and collected in 1993. Amounts received from clients in excess of revenues recognized to date are classified as current liabilities under advance billings on contracts.

DEPRECIATION AND AMORTIZATION

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

EXPLORATION AND DEVELOPMENT

Coal exploration costs are expensed as incurred. Development costs of specific coal properties, when expected to be significant, are capitalized in mining properties and depleted over the expected economic life of the mine on the units-of-production method.

The company accrues for post-mining reclamation costs as coal is mined. Reclamation of disturbed acreage is performed as a normal part of the mining process; such costs are expensed as incurred.

INCOME TAXES

In 1992, the company adopted Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" (SFAS No. 109) retroactive to the year ended October 31, 1987. SFAS No. 109 requires recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in the company's financial statements or tax returns. This accounting change will not affect the company's liquidity or cash flows.

EARNINGS PER SHARE

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

INVENTORIES

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

\$ in thousands / At October 31,	1992	1991
Coal	\$10,485	\$9,370
Metals and processed minerals	—	39,589
Supplies and other	20,703	33,653
	<u>\$31,188</u>	<u>\$82,612</u>

FOREIGN CURRENCY

The company enters into forward exchange contracts to hedge foreign currency transactions, and not to engage in currency speculation. The company's forward exchange contracts do not subject the company to risk from exchange rate movements because gains and losses on such contracts offset losses and gains, respectively, on the assets, liabilities or transactions being hedged. At October 31, 1992, the company had \$91 million of forward exchange contracts outstanding relating to foreign currency denominated long-term debt and interest, lease commitments and contract receipts. If the counterparties to the exchange contracts (AA rated international banks) do not fulfill their obligations to deliver the contracted for foreign currencies, the company could be at risk for fluctuations, if any, in the amounts of U.S. dollars required to settle the obligations. The forward exchange contracts generally require the company to exchange U.S. dollars for foreign currencies at maturity, at rates agreed to at inception of the contracts.

CONCENTRATIONS OF CREDIT RISKS

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

CONSOLIDATED STATEMENT OF CASH FLOWS

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

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

\$ in thousands / Year ended October 31,	1992	1991	1990
Decrease (increase) in:			
Accounts and notes receivable	\$ 50,758	\$ 107,880	\$(126,393)
Contract work in progress	37,456	72,264	4,436
Inventories	(9,222)	9,270	(2,751)
Other current assets	(1,241)	(31,203)	10,254
Increase (decrease) in:			
Accounts payable	(58,310)	(118,595)	59,826
Advance billings on contracts	18,783	(115,518)	151,694
Accrued liabilities	31,533	50,938	(2,402)
Other noncurrent liabilities	(32,736)	—	—
	<u>\$ 37,021</u>	<u>\$ (24,964)</u>	<u>\$ 94,664</u>
Cash paid during the year for:			
Interest expense	\$ 18,650	\$ 9,988	\$ 10,613
Income tax payments, net	\$ 53,713	\$ 93,677	\$ 50,221

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36 ACQUISITIONS AND DISPOSITIONS

In November 1992, the company announced its decision to exit its Lead business, which has been classified as a discontinued operation in the accompanying consolidated statement of earnings. Although the company's intent is to sell its Lead business, management continues to evaluate forms of divestiture with the goal of maximizing benefit to Fluor shareholders.

Net assets of discontinued operations in the accompanying consolidated balance sheet is composed of \$63 million of net current assets and \$76 million of net noncurrent assets as of October 31, 1992. These amounts consist primarily of accounts receivable, inventories, plant and equipment and related liabilities.

Revenues applicable to discontinued operations were \$143 million, \$170 million and \$197 million in 1992, 1991 and 1990, respectively. Discontinued operations, net in the accompanying consolidated statement of earnings is composed of the following:

\$ in thousands / Year ended October 31,	1992	1991	1990
Earnings (loss) from operations, net of income tax expense (benefit) of \$(10,795) in 1992, \$28 in 1991 and \$9,068 in 1990	\$(17,656)	\$ (617)	\$27,233
Gain (loss) from disposal, net of income tax expense (benefit) of \$(48,365) in 1992, \$(5,198) in 1991 and \$3,839 in 1990	(78,910)	11,676	8,005
	<u>\$(96,566)</u>	<u>\$11,059</u>	<u>\$35,238</u>

The estimated loss on disposition in 1992 includes a net provision of approximately \$6 million for estimated operating losses through the date of disposition.

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

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

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

In February 1990, the company purchased Tulsa, Oklahoma based Williams Brothers Engineering Company (WBEC), a world-recognized leader in engineering of pipelines and production facilities, for approximately \$8 million. The company's consolidated financial statements include the results of WBEC from the acquisition date. The acquisition was accounted for as a purchase.

During 1990 the company completed the sale of Pea Ridge Iron Ore Company resulting in net cash proceeds of \$11.8 million and an after-tax gain of \$8 million which is reported in discontinued operations.

DR 2801443

The company adopted Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" (SFAS No. 109) retroactive to the year ended October 31, 1987. The effect of adopting SFAS No. 109 was to increase (decrease) earnings as follows:

\$ in thousands, except per share amounts/Year ended October 31,	1992	1991	1990
Earnings:			
Continuing operations	\$1,779	\$3,631	\$6,536
Discontinued operations	844	(271)	1,204
Net earnings	\$2,623	\$3,360	\$7,740
Earnings per share:			
Continuing operations	\$.02	\$.04	\$.08
Discontinued operations	.01	—	.01
Net earnings	\$.03	\$.04	\$.09

The restatement also resulted in a \$138 million reduction of additional capital at October 31, 1987. This charge was made to additional capital because the company's quasi reorganization in 1987 eliminated the retained earnings balance.

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

\$ in thousands/Year ended October 31,	1992	1991	1990
Current:			
Federal (includes a charge in lieu of taxes of \$2,299 and \$2,900 for 1991 and 1990, respectively)	\$ 23,716	\$ 60,482	\$ 23,524
Foreign	20,476	20,984	18,392
State and local	12,280	13,024	10,831
Total current	56,472	94,490	52,747
Tax liability reversal	—	(6,100)	(19,000)
Deferred:			
Federal	(54,818)	(13,126)	12,326
Foreign	6,773	(198)	485
State and local	(7,629)	(4,924)	541
Total deferred	(55,674)	(18,248)	13,352
Total income tax expense	\$ 798	\$ 70,142	\$ 47,099

The income tax expense (benefit) applicable to continuing operations, discontinued operations and the cumulative effect of change in accounting principle is as follows:

\$ in thousands/Year ended October 31,	1992	1991	1990
Provision for continuing operations:			
Current	\$ 64,920	\$100,370	\$ 50,649
Tax liability reversal	—	(6,100)	(19,000)
Deferred	15,180	(18,958)	2,543
Total provision for continuing operations	80,100	75,312	34,192
Provision for discontinued operations:			
Current	(8,448)	(5,880)	2,098
Deferred	(50,712)	710	10,809
Total provision for discontinued operations	(59,160)	(5,170)	12,907
Provision for cumulative effect of change in accounting principle:			
Deferred	(20,142)	—	—
Total income tax expense	\$ 798	\$ 70,142	\$ 47,099

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

\$ in thousands/Year ended October 31,	1992	1991	1990
Statutory federal income tax expense	\$ 73,219	\$ 77,656	\$ 52,218
Increases (reductions) in taxes resulting from:			
State and local income taxes	8,487	6,709	6,686
Effect of foreign tax rates	5,959	7,080	3,489
Items without tax effect, net	3,741	(1,324)	3,306
Depletion	(7,488)	(8,040)	(8,351)
Tax liability reversal	—	(6,100)	(19,000)
Other, net	(3,818)	(669)	(4,156)
Total income tax expense—continuing operations	\$ 80,100	\$ 75,312	\$ 34,192

Deferred taxes reflect the tax effects of differences between the amounts recorded as assets and liabilities for financial reporting purposes and the amounts recorded for income tax purposes. The tax effects of significant temporary differences giving rise to deferred tax assets and liabilities are as follows:

\$ in thousands/At October 31,	1992	1991
Deferred tax assets:		
Accrued liabilities not currently deductible	\$ 134,402	\$ 143,068
Expected tax benefits on disposition of Lead business	42,585	—
Building tax basis in excess of book basis	27,160	31,082
Other	50,298	54,233
Total deferred tax assets	254,445	228,383
Valuation allowance for deferred tax assets	(79,513)	(79,513)
Net deferred tax assets	174,932	148,870
Deferred tax liabilities:		
Coal mining property book basis in excess of tax basis	(98,369)	(100,985)
Tax on unremitted foreign earnings	(27,155)	(22,630)
Lead mining property book basis in excess of tax basis	—	(29,335)
Other	(42,313)	(37,083)
Total deferred tax liabilities	(167,837)	(190,033)
Net deferred tax assets (liabilities)	\$ 7,095	\$ (41,163)

The company established a valuation allowance to reduce certain deferred tax assets to amounts that are more likely than not to be realized. Substantially all of this allowance relates to deferred tax assets existing at the date of the company's 1987 quasi reorganization. Future reductions in the valuation allowance relating to these 1987 deferred tax assets will be credited to additional capital.

Residual income taxes of approximately \$16 million have not been provided on approximately \$42 million of undistributed earnings of certain foreign subsidiaries at October 31, 1992 because the company intends to keep those earnings reinvested indefinitely.

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

DR 2801445

\$ in thousands/Year ended October 31,	1992	1991	1990
United States	\$139,241	\$163,643	\$109,455
Foreign	76,109	64,758	44,125
Total	\$215,350	\$228,401	\$153,580

During 1991 the company received cash proceeds of \$20 million resulting from a settlement with the Internal Revenue Service relating to St. Joe Minerals for the tax years 1975 through 1981. The tax refund and interest components of this amount were \$7.7 million and \$12.3 million, respectively. The tax refund and \$4 million of interest, net of tax, were reported as discontinued operations. The \$5.8 million pretax balance of interest income was reported in continuing operations. As a result of the settle-

ment with the IRS and the resolution of other issues, certain income tax liabilities, no longer deemed necessary, were reversed. This reduced the company's income tax expense by \$6.1 million and \$19 million in 1991 and 1990, respectively.

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The company has resolved all issues raised in connection with an examination of the company's Federal income tax returns for fiscal years through 1983. The resolution of these issues did not have a material adverse effect on the company's consolidated financial position or results of operations.

The Internal Revenue Service is currently examining the company's returns for fiscal years 1984 through 1989. Management does not expect the resolution of any tax issues raised by the IRS for these years to have a material adverse effect on the company's consolidated financial position or results of operations.

RETIREMENT BENEFITS

The company sponsors contributory and noncontributory defined contribution retirement and defined benefit pension plans for eligible employees. Contributions to defined contribution retirement plans are based on a percentage of the employee's compensation. Expense recognized for these plans is primarily related to domestic Engineering and Construction operations and totaled \$65 million in 1992, \$60 million in 1991, and \$55 million in 1990. Contributions to defined benefit pension plans are generally at the minimum annual amount required by applicable regulations. Payments to retired employees under these plans are generally based upon length of service and/or a percentage of qualifying compensation. The plans are primarily related to international Engineering and Construction, U.S. Craft employees and domestic coal operations.

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

\$ in thousands / Year ended October 31,	1992	1991	1990
Service cost incurred during the period	\$ 12,439	\$ 10,550	\$ 8,692
Interest cost on projected benefit obligation	17,556	16,317	14,267
Income and gains on assets invested	(24,282)	(61,491)	(6,993)
Net amortization and deferral	(12,477)	31,650	(23,668)
Net periodic pension expense (income)	\$ (6,764)	\$ (2,974)	\$ (7,702)

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

Year ended October 31,	1992	1991	1990
Discount rates	8.5-9.5%	9.0-10.5%	9.0-10.5%
Rates of increase in compensation levels	5.0-6.0%	5.0-8.0%	5.0-8.0%
Expected long-term rates of return on assets	7.5-10.0%	9.0-10.5%	8.0-10.5%

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

\$ in thousands / At October 31,	1992	1991
Actuarial present value of benefit obligations:		
Vested benefit obligation	\$ 158,058	\$ 151,156
Nonvested benefit obligation	12,541	11,779
Accumulated benefit obligation	\$ 170,599	\$ 162,935
Plan assets at fair values (primarily listed stocks and bonds)	\$ 345,076	\$ 349,316
Projected benefit obligation	(211,834)	(218,101)
Plan assets in excess of projected benefit obligation	133,242	131,215
Unrecognized net gain	(30,876)	(43,265)
Unrecognized net asset at implementation	(25,084)	(27,589)
Pension asset recognized in the Consolidated Balance Sheet	\$ 77,282	\$ 60,361

DR 2801446

Excludes the projected benefit obligation and an equal amount of associated plan assets relating to present and former employees of discontinued operations (including the Lead segment in 1992) of \$128 million and \$99 million at October 31, 1992 and 1991, respectively.

Massey Coal Company (Massey) participates in multiemployer defined benefit pension plans for its union employees. Pension expense related to these plans approximated \$6 million, \$5 million and \$1 million in the years ended October 31, 1992, 1991 and 1990, respectively. Under the Coal Industry Retiree Health Benefits Act of 1992, Massey is required to fund medical and death benefits of certain beneficiaries. Massey's obligation under the Act is estimated to aggregate \$27 million which will be recognized as expense as payments are assessed.

- 40 In addition to the company's defined benefit pension plans, the company and certain of its subsidiaries provide health care and life insurance benefits for certain retired employees. The health care and life insurance plans are generally contributory, with retiree contributions adjusted annually. Service costs are accrued currently. Cash basis accounting was used prior to the November 1, 1991 adoption of Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions" (SFAS No. 106).

The accumulated postretirement benefit obligation was determined in accordance with the current terms of the company's health care plans, together with relevant actuarial assumptions and health care cost trend rates projected at annual rates ranging from 9.5 to 12 percent in 1992 down to 6 to 9.5 percent in 2002 and beyond. The transition obligation of \$53,008, less income tax benefit of \$20,142, reduced earnings by \$.40 per share and was recognized as of November 1, 1991. The effect of a one percent annual increase in these assumed cost trend rates would increase the accumulated postretirement benefit obligation and the aggregate of the annual service and interest costs by approximately ten percent. The weighted average discount rate used in determining the accumulated postretirement benefit obligation was 9 percent.

The following table sets forth the plans' funded status and accumulated postretirement benefit obligation for continuing operations which has been fully accrued in the company's Consolidated Balance Sheet:

\$ in thousands/At October 31,	1992
Accumulated postretirement benefit obligation:	
Retirees	\$ 46,875
Fully eligible active participants	1,730
Other active plan participants	6,866
Accrued postretirement benefit obligation	\$ 55,471

Net periodic postretirement benefit cost for continuing operations includes the following components:

\$ in thousands/Year ended October 31,	1992
Service cost incurred during the period	\$ 1,056
Interest cost on accumulated postretirement benefit obligation	4,821
Net periodic postretirement benefit cost	\$ 5,877

Prior to 1992 the company accounted for health care and life insurance benefits on the cash basis. The cost of such benefits for continuing operations approximated \$6 million and \$5 million in 1991 and 1990, respectively.

LONG-TERM DEBT

Long-term debt comprises:

\$ in thousands/At October 31,	1992	1991
Deutsche mark financing, with a currency exchange agreement fixing the repayments in U.S. dollars at an effective interest rate of 9.5%, due in 1996	\$ 23,644	\$23,644
Swiss franc financing, with a currency exchange agreement fixing the repayments in U.S. dollars at an effective interest rate of 9.3%, due in 1993	15,039	15,039
12.375% collateral trust notes, due in 1995, prepaid at par in June, 1992	—	16,359
12.875% collateral trust notes, due in 2000, prepaid in December, 1992	16,050	16,050
13.50% first mortgage note, due in 2000, prepayable at par in 1995	35,000	—
Notes at an effective interest rate of 9.7%, due in 1993	12,838	12,838
Other notes and mortgages	4,384	9,478
	106,955	93,408
Less: Current portion	45,693	17,726
Long-term debt due after one year	\$ 61,262	\$75,682

Maturities relating to long-term debt are as follows for the years ending: 1994, \$1.7 million; 1995, \$5 million; 1996, \$24.1 million; 1997, no maturities; and \$35 million thereafter. All long-term debt (including current portion) outstanding at October 31, 1992, bears interest at fixed rates.

The company assumed a \$35 million first mortgage note in 1992 when it acquired an engineering building located in Greenville, South Carolina.

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The company has unsecured committed revolving long-term lines of credit with banks from which it may borrow for general corporate purposes up to a maximum of \$250 million. Commitment and facility fees are paid on these lines. In addition, the company has \$550 million in short-term lines of credit. Borrowings under lines of credit and revolving credit agreements bear interest at prime, rates based on the London Interbank Offered Rate (LIBOR), domestic certificates of deposit, or other rates which are mutually acceptable to the banks and the company. At October 31, 1992, no amounts were outstanding under any of these lines.

The company had unsecured commercial paper outstanding at October 31, 1992 and 1991 in the amounts of \$30 million and \$29.9 million, respectively. The commercial paper was issued at a discount with an effective interest rate of 3.3 percent and 5.3 percent in 1992 and 1991, respectively. Maturities range from 26 to 37 days in 1992 and 27 to 38 days in 1991. The weighted average maturities at October 31, 1992 and 1991 were both 18 days. The maximum and average balances outstanding for the years ended October 31, 1992 and 1991 were \$84.5 million and \$38.4 million, respectively, and \$34.9 million and \$28.5 million, respectively, with weighted average interest rates of 4.1 percent and 5.8 percent, respectively.

OTHER NONCURRENT LIABILITIES

The company maintains appropriate levels of insurance for business risks. Insurance coverages contain various deductible amounts for which the company provides accruals based on the aggregate of the liability for reported claims and an actuarially determined estimated liability for claims incurred but not reported. Other noncurrent liabilities include \$117.2 million and \$81.7 million at October 31, 1992 and 1991, respectively, relating to these liabilities.

STOCK PLANS

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

Restricted stock awards issued under the plans provide that shares awarded may not be sold or otherwise transferred until restrictions as established by the Committee have lapsed. Upon termination of employment, shares upon which restrictions have not lapsed must be returned to the company. Restricted stock issued under the plans totaled 132,580 and 121,660 shares in 1992 and 1991, respectively.

The following table summarizes stock option activity for the two years ended October 31, 1992:

	Stock Options	Price Per Share
Outstanding at October 31, 1990	2,822,613	\$12-42
Granted	442,540	39-44
Expired or cancelled	(267,456)	12-36
Exercised	(630,938)	12-41
Outstanding at October 31, 1991	2,366,759	12-44
Granted	438,410	44
Expired or cancelled	(23,539)	20-44
Exercised	(346,401)	12-44
Outstanding at October 31, 1992	2,435,229	\$12-44
Exercisable at:		
October 31, 1991	1,458,451	\$12-42
October 31, 1992	1,452,174	\$12-44
Available for grant at:		
October 31, 1991	946,323*	
October 31, 1992	780,854*	

DR 2801448

*Available for grant includes 780,854 and 915,786 shares at October 31, 1992 and 1991, respectively, which may be granted as either stock options or restricted stock, as determined by the Committee under the 1988 Fluor Executive Stock Plan.

4 2 The company adopted a preferred shares purchase rights plan and, pursuant thereto issued one preferred share purchase right ("Right") on each outstanding share of common stock. The Rights are exercisable only if a person or group acquires, or makes a tender offer for, 20 percent or more of the company's common stock. When exercisable, each Right entitles its holders to buy 1/100th share of a newly issued preferred stock at an exercise price of \$40, subject to certain antidilution adjustments. The Board of Directors, at its option, may lower the exercisability threshold from 20 percent to as low as 10 percent as long as no person or group then owns more than the lowered amount and may, at any time after the Rights have become exercisable, but before there has been an acquisition of 50 percent or more of the company's common stock by any person or group, exchange each then valid Right for one new share of common stock.

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

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

LEASE OBLIGATIONS

Rental expense for continuing operations amounted to \$100 million, \$92 million, and \$87 million, in 1992, 1991, and 1990, respectively. The company's lease obligations relate primarily to office facilities, equipment used in connection with long-term construction contracts and other personal property. The company's obligations for minimum rentals under noncancellable leases are as follows:

\$ in thousands / At October 31, 1992

1993	\$35,394
1994	34,110
1995	29,801
1996	24,241
1997	22,974
Thereafter	70,414

At October 31, 1992 and 1991, obligations under capital leases of approximately \$11 million and \$12 million, respectively, are included in other noncurrent liabilities.

CONTINGENCIES AND COMMITMENTS

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

Financial guarantees, made in the ordinary course of business on behalf of clients and others in certain limited circumstances, are entered into with financial institutions and other credit grantors and generally obligate the company to make payment in the event of a default by the borrower. Most arrangements require the borrower to pledge collateral in the form of property, plant and equipment which is deemed adequate to recover amounts the company might be required to pay. At October 31, 1992, the company had financial guarantees for clients and certain other third parties totaling \$120 million.

The Engineering and Construction segment includes subsidiaries engaged in the design, engineering, procurement, construction, technical services and maintenance of facilities for oil and gas, chemical, industrial, commercial, utility, natural resource, energy and government clients. Coal segment amounts include the operations of Massey Coal Company.

Identifiable assets are those tangible and intangible assets used in the operation of each of the business segments and geographic areas, except for discontinued operations in 1992, which is net of related liabilities. Corporate assets are principally cash and cash equivalents, marketable securities and nontrade receivables.

OPERATIONS BY BUSINESS SEGMENT

\$ in millions	Revenues			Operating Profit		
	1992	1991	1990	1992	1991	1990
Engineering and Construction	\$5,904.0	\$5,813.5	\$6,383.1	\$190.7	\$166.2	\$135.1
Coal	696.7	758.5	865.8	80.2	60.7	60.3
Continuing Operations	\$6,600.7	\$6,572.0	\$7,248.9	\$270.9	\$226.9	\$195.4

\$ in millions	Identifiable Assets			Capital Expenditures			Depreciation, Depletion and Amortization		
	1992	1991	1990	1992	1991	1990	1992	1991	1990
Engineering and Construction	\$1,018.6	\$1,003.9	\$ 985.3	\$ 58.7	\$ 38.9	\$ 64.8	\$ 52.5	\$ 48.0	\$ 45.7
Coal	864.0	696.7	704.0	214.0	67.6	61.0	54.0	49.5	46.9
Corporate	344.3	393.3	475.2	—	—	0.7	0.5	0.7	1.0
Continuing Operations	2,226.9	2,093.9	2,164.5	272.7	106.5	126.5	107.0	98.2	93.6
Discontinued Operations	138.6	327.5	311.3	14.3	53.2	29.2	28.2	23.3	16.2
	\$2,365.5	\$2,421.4	\$2,475.8	\$287.0	\$159.7	\$155.7	\$135.2	\$121.5	\$109.8

OPERATIONS BY GEOGRAPHIC AREA

\$ in millions	Revenues			Operating Profit			Identifiable Assets		
	1992	1991	1990	1992	1991	1990	1992	1991	1990
United States	\$4,790.6	\$5,102.7	\$6,046.3	\$221.6	\$177.3	\$172.4	\$2,097.8	\$2,131.0	\$2,133.2
Canada	391.3	555.8	388.2	11.4	11.9	6.4	46.6	71.9	82.1
Middle East	317.8	76.1	24.4	4.5	4.6	0.7	41.9	43.1	34.0
Europe	714.9	495.2	594.6	21.1	21.8	14.3	112.7	105.5	108.5
Other	386.1	342.2	195.4	12.3	11.3	1.6	66.5	69.9	118.0
	\$6,600.7	\$6,572.0	\$7,248.9	\$270.9	\$226.9	\$195.4	\$2,365.5	\$2,421.4	\$2,475.8

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

\$ in millions/Year ended October 31,	1992	1991	1990
Operating profit from continuing operations	\$270.9	\$226.9	\$195.4
Interest income (expense), net	(0.2)	31.2	21.8
Corporate administrative and general expense	(39.3)	(57.0)	(51.3)
Reduction in accrued lease cost, net	—	19.6	—
Gain on sale of investment	—	16.4	—
Other items, net	(16.0)	(8.7)	(12.3)
Earnings from continuing operations before taxes	\$215.4	\$228.4	\$153.6

MANAGEMENT

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

INDEPENDENT AUDITORS

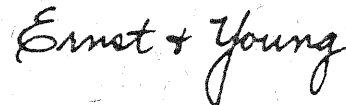
Board of Directors and Shareholders
Fluor Corporation

We have audited the accompanying consolidated balance sheet of Fluor Corporation as of October 31, 1992 and 1991, and the related consolidated statements of earnings, cash flows, and shareholders' equity for each of the three years in the period ended October 31, 1992. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Fluor Corporation at October 31, 1992 and 1991, and the consolidated results of its operations and its cash flows for each of the three years in the period ended October 31, 1992, in conformity with generally accepted accounting principles.

As discussed in notes to consolidated financial statements, in 1992 the company changed its methods of accounting for income taxes and postretirement benefits other than pensions.

The logo for Ernst & Young, featuring the company name in a stylized, handwritten-style script.

Orange County, California
December 2, 1992

unaudited

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

\$ in thousands, except per share amounts(a)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
1992				
Revenues	\$1,560,835	\$1,544,325	\$1,662,748	\$1,832,788
Gross margin	58,929	63,593	70,012	62,343
Earnings from continuing operations before taxes	50,888	56,294	62,186	45,982(c)
Loss from discontinued operations, net	(3,386)	(3,170)	(2,482)	(87,528)
Cumulative effect of change in accounting principle, net	(32,866)	—	—	—
Net earnings (loss)	(4,040)(b)	32,381	36,823	(59,346)
Earnings per share:				
Continuing operations	.39	.44	.48	.35
Discontinued operations	(.04)	(.04)	(.03)	(1.08)
Cumulative effect of change in accounting principle	(.40)	—	—	—
Net earnings (loss)	\$ (.05)	\$.40	\$.45	\$ (.73)

1991				
Revenues	\$1,702,485	\$1,659,223	\$1,580,457	\$1,629,793
Gross margin	46,963	52,055	58,709	60,453
Earnings from continuing operations before taxes	37,006	50,212	73,110(e)	68,073(f)
Earnings (loss) from discontinued operations, net	1,679	11,341	(1,923)	(38)
Net earnings	26,630(d)	42,463(d)	48,312(d)	46,743(d)
Earnings per share:				
Continuing operations	.31	.38	.61	.57
Discontinued operations	.02	.14	(.02)	—
Net earnings	\$.33	\$.52	\$.59	\$.57

(a) All periods have been restated to present the Lead business as a discontinued operation.

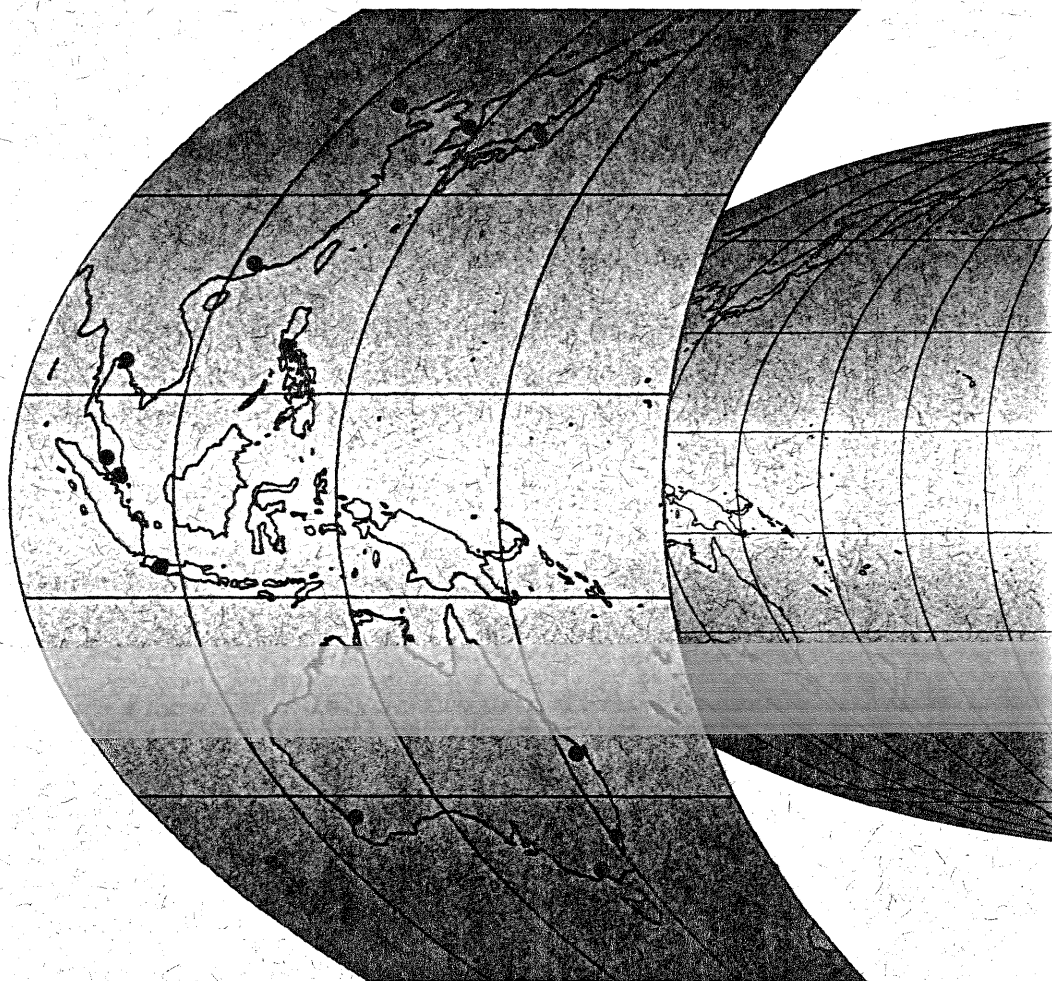
(b) First quarter 1992 earnings have been restated to reflect the cumulative effect of change in accounting principle for postretirement benefits.

(c) Fourth quarter 1992 earnings from continuing operations includes a pretax charge of \$6.2 million related to the cancellation of a lease.

(d) Net earnings for each of the four quarters of 1991 have been restated to reflect the impact of the adoption of Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes." The accounting change increased net earnings by \$.6 million (\$.01 per share) in the first quarter, \$.8 million (\$.01 per share) in the second quarter, \$1 million (\$.01 per share) in the third quarter, and \$1 million (\$.01 per share) in the fourth quarter.

(e) Third quarter 1991 earnings from continuing operations includes the reversal of certain lease cost reserves of \$19.6 million, net of other lease cost provisions totaling \$5 million.

(f) Fourth quarter 1991 earnings from continuing operations includes a gain of \$16.4 million related to the company's sale of its minority interest in a Bermuda-based insurer.



ENGINEERING AND CONSTRUCTION

THE AMERICAS

Anchorage, Alaska
 Bakersfield, California
 Calgary, Alberta, Canada
 Caracas, Venezuela
 Charlotte, North Carolina
 Chicago, Illinois
 Cincinnati, Ohio
 Corpus Christi, Texas
 Dallas, Texas
 Denver, Colorado
 Greenville, South Carolina
 Houston, Texas
 Irvine, California
 Kansas City, Missouri
 Mexico City, Mexico
 Philadelphia, Pennsylvania
 Redwood City, California
 Richmond, Virginia
 San Juan, Puerto Rico
 Santiago, Chile
 Tulsa, Oklahoma
 Vancouver, British Columbia, Canada
 Washington, D.C.

ASIA/PACIFIC

Bangkok, Thailand
 Beijing, People's Republic of China
 Brisbane, Australia
 Hong Kong
 Jakarta, Indonesia
 Kuala Lumpur, Malaysia
 Manila, Philippines
 Melbourne, Australia
 Perth, Australia
 Seoul, Korea
 Singapore
 Sydney, Australia
 Tokyo, Japan

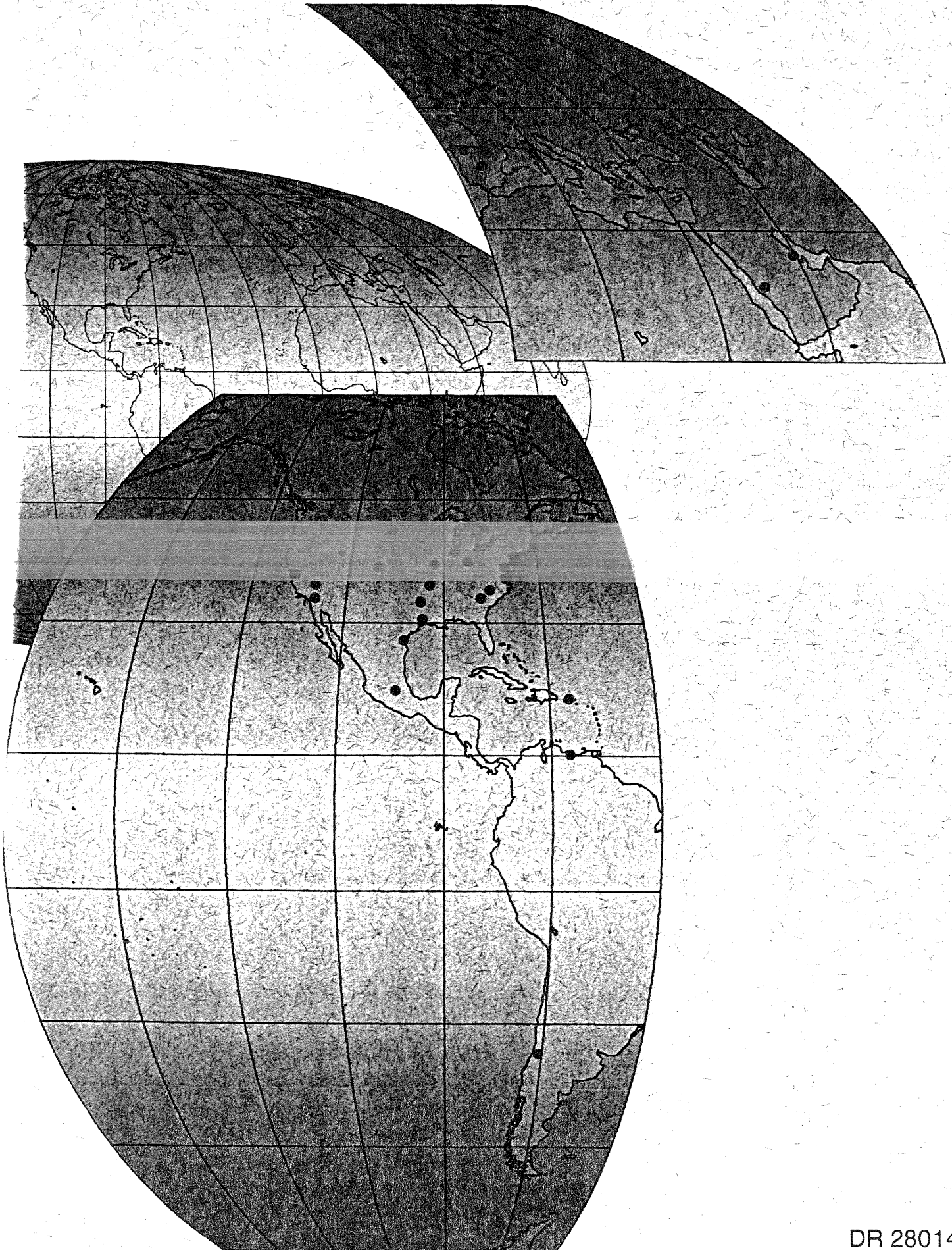
EUROPE/AFRICA/MIDDLE EAST

Asturias, Spain
 Bergen op Zoom, Netherlands
 Camberley, England
 Dhahran, Saudi Arabia
 Dusseldorf, Germany
 Haarlem, Netherlands
 Jeddah, Saudi Arabia
 Leipzig, Germany
 London, England
 Madrid, Spain
 Manchester, England
 Wiesbaden, Germany

COAL

Richmond, Virginia

DR 2801453



FORM 10-K

A copy of the Form 10-K, which is filed with the Securities and Exchange Commission, is available upon request.

Write to: Vice President-Corporate Law,
Fluor Corporation, 3333 Michelson Drive,
Irvine, California 92730. (714) 975-2000.

**REGISTRAR AND
TRANSFER AGENT**

Chemical Trust Company of California, 300
S. Grand Avenue 2nd Floor, Los Angeles, CA
90071 and Chemical Bank, 450 W. 33rd
Street, New York, NY 10001. For change of
address, lost dividends, or lost stock certi-
ficates, write or telephone: Chemical Trust
Company of California, P.O. Box 24935,
Church Street Station, New York, NY 10249.
Attn: Securityholder Relations (800) 356-2017.

INDEPENDENT AUDITORS

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

**ANNUAL STOCKHOLDERS'
MEETING**

Annual report and proxy statement are
mailed about February 1. Fluor's annual
meeting of stockholders will be held at 9:00
a.m. on March 9, 1993 at the Fluor Daniel
Houston Complex, One Fluor Daniel Drive,
Sugar Land, Texas.

STOCK TRADING

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

COMPANY CONTACTS

Stockholders may call collect.

Stockholder information:

Lawrence N. Fisher
(714) 975-6961

Investor Relations:

Lila J. Churney
(714) 975-3909

COMMON STOCK INFORMATION

At December 31, 1992 there were 81,897,062 shares outstanding and approximately 15,600 stockholders of record of Fluor's common stock.

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

COMMON STOCK AND DIVIDEND INFORMATION

	Dividends per share	Price Range	
		High	Low
FISCAL 1992			
First Quarter	\$0.10	\$48 ¹ / ₄	\$35 ¹ / ₄
Second Quarter	0.10	46 ¹ / ₄	36 ¹ / ₄
Third Quarter	0.10	44 ¹ / ₄	36 ¹ / ₄
Fourth Quarter	0.10	47 ¹ / ₄	37 ¹ / ₄
	<u>\$.40</u>		

FISCAL 1991

First Quarter	\$0.08	\$42 1/4	\$31 1/4
Second Quarter	0.08	54 1/4	41 1/4
Third Quarter	0.08	50 1/4	43 1/4
Fourth Quarter	0.08	46 1/4	37 1/4
	<u>\$0.32</u>		

**HISTORY OF STOCK
DIVIDENDS AND SPLITS
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

DR 2801455



MISSION STATEMENT

MISSION

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

SERVICES AND MARKETS

We provide a complete range of engineering, construction, maintenance and related services to virtually all industries and government.

We service our clients through a network of offices strategically located around the world. We globally link technology, experience, human resources and services in meeting client needs.

PRINCIPLES

To add value to our services, these principles are emphasized:

- We are client focused.
- We are innovative and flexible in meeting client needs.
- We deliver quality.
- And above all, we do every task safely.

PHILOSOPHY

Our philosophy is based upon ethical conduct, mutual trust and teamwork. To ensure continuous improvement, we challenge, test, reevaluate and continually raise our standards of excellence.

As a service organization, our success depends upon the combined capability and contribution of all employees.

Fluor Daniel is dedicated to fostering a work environment which challenges, enriches and rewards each individual.

DR 2801456

