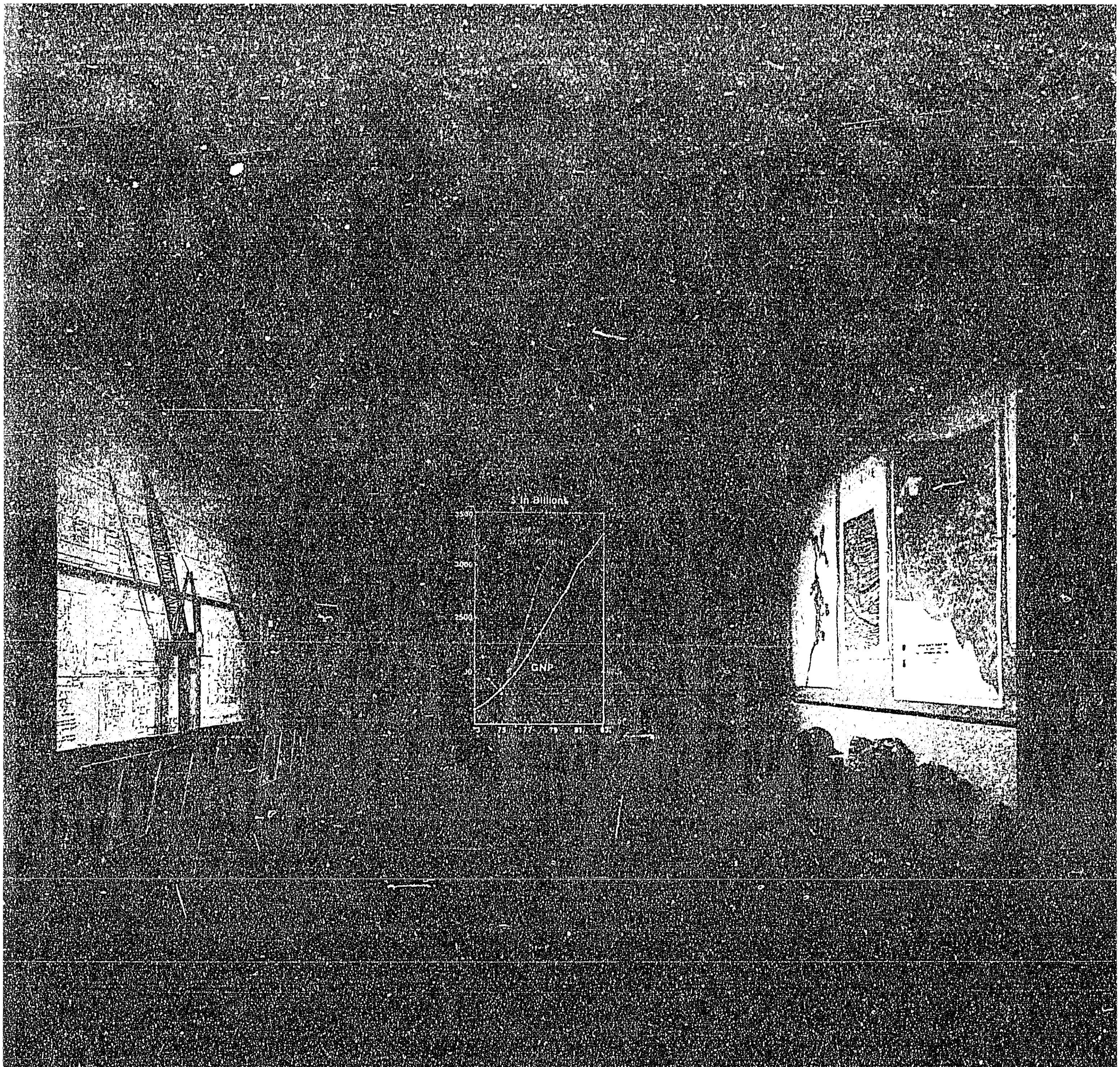
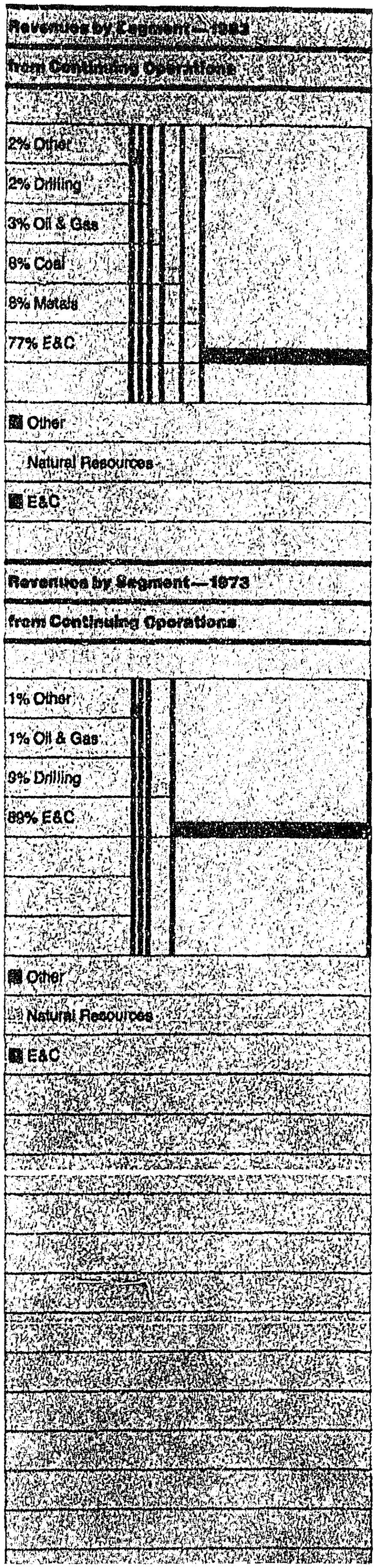

$ in Billions
GNP



HIGHLIGHTS

$ in thousands, except per share amounts

Periods ended October 31,	1983	1982	1981
Fiscal Year			
Revenues from continuing operations	$5,300,452	$6,740,551	$5,357,593
Earnings from continuing operations	80,700	160,976	143,983
Net earnings	27,700	152,799	158,906
Earnings per share			
Continuing operations	1.02	2.05	2.56
Net earnings	.35	1.94	2.82
Working capital provided from operations	332,485	377,121	274,437
Capital expenditures	301,835	525,932	448,143
Cash dividends per common share	$ .80	$ .80	$ .80
At Year End			
Total assets	$4,084,920	$4,700,990	$4,491,328
Capitalization			
Long-term debt	720,007	1,009,858	1,104,840
Shareholders' equity	1,747,249	1,776,419	1,683,199
Total capitalization	$2,467,256	$2,786,277	$2,788,039
Percent of total capitalization			
Long-term debt	29.2	36.2	39.6
Shareholders' equity	70.8	63.8	60.4
Shareholders' equity per common share	$ 22.19	$ 22.68	$ 21.55
Number of employees	34,123	43,111	44,170

During the fourth quarter of 1983 the company adopted a plan to dispose of the Distribution Group; accordingly, prior periods have been restated to exclude the Group from continuing operations. St. Joe Minerals Corporation is included on an equity basis for the period May 1, 1981, through August 2, 1981, and on a consolidated basis thereafter.

COMPANY DESCRIPTION

Fluor Corporation is an engineering and construction company and a major producer of natural resources. The company provides worldwide engineering, construction, procurement, and project-management services to energy, natural resource, industrial, commercial, utility, and government clients. Natural resources produced are principally gold, silver, lead, zinc, iron ore, coal, oil, and gas. The company also provides contract drilling services.

ABOUT THE COVER

The 1983 Fluor Corporation Annual Report cover symbolizes the company's two main businesses—Engineering and Construction and Natural Resources—and economic factors that influence those businesses.

The left panel depicts process and mechanical flow diagrams and modules from a scale model of an offshore drilling and production platform being built by Fluor.

The right panel shows maps used by Fluor in the exploration for natural resources and various minerals, core samples, and tools used by geologists in evaluating potential discoveries.

In the center panel, an economic chart of domestic gross national product and capital expenditure trends is shown.

LETTER TO SHAREHOLDERS

This past year was unquestionably a difficult one in terms of net earnings due to weak conditions throughout the industry and some non-recurring charges. Superior performance by our employees and substantial cash proceeds from the sale of non-strategic businesses, however, made possible the following business and financial accomplishments:

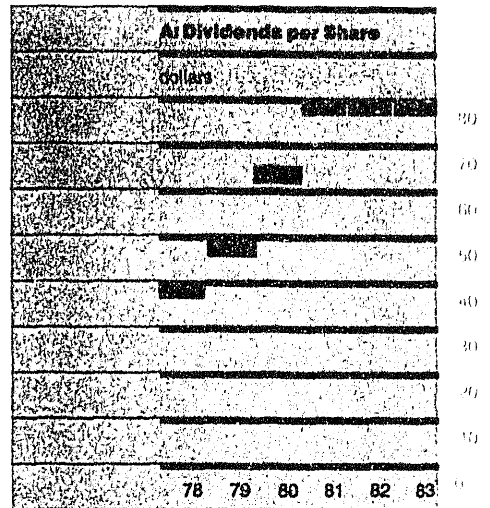
- Generated earnings of $1.02 per share from continuing operations.
- Divested non-strategic businesses to concentrate resources in high potential operations.
- Maintained strong capital investment and exploration programs.
- Improved the corporation's debt position, reducing ongoing interest expense.
- Paid cash dividends of 80 cents per share.
- Implemented management succession moves.

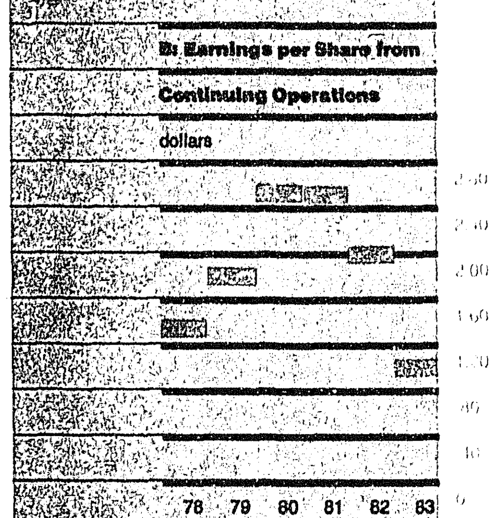
CONTINUING OPERATIONS PERFORM WELL

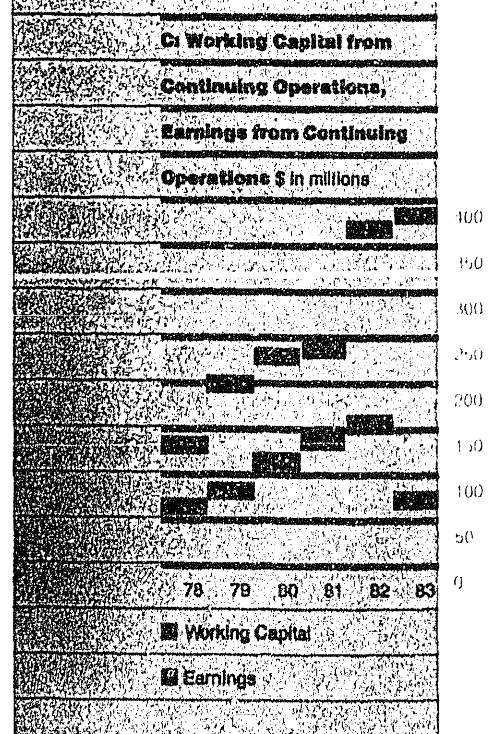
Excluding effects of Fluor's Distribution Group, a discontinued operation, net earnings from continuing operations totaled $80.7 million, or $1.02 per share, on revenues of $5.3 billion. This compares with $161 million, or $2.05 per share, on revenues of $6.7 billion in 1982.

(Charts A, B, C, D)

Included in 1983 earnings from continuing operations were net write-downs of $23 million for certain unsuccessful oil and gas exploration activities overseas and $6 million for the retirement of three obsolete offshore drilling rigs.







The anticipated divestiture of the Distribution Group, combined with the group's operating loss, reduced fiscal 1983 net earnings by $53 million or 67 cents per share. As a discontinued operation, the Distribution Group will not be included in 1984 earnings.

This divestiture, which allows management to concentrate financial resources on engineering and construction and natural resources, contributed to reduced net earnings for the year of $27.7 million or 35 cents per share. In 1982, net earnings were $152.8 million or $1.94 per share.

DIVESTITURES ESSENTIALLY COMPLETE

In addition to the pending sales of the Distribution Group and oil and gas investments in the United Kingdom, the North Sea, and Egypt, Fluor completed the Coquina Oil Corporation divestiture, and sold Goldston trucking and Fluor's interest in Peabody Holding Company.

A total of $490 million will have been realized from these sales with proceeds used to reduce debt.

While management plans to review the strategic fit of all businesses on a recurring basis, the program to streamline operations initiated after the acquisition of St. Joe is essentially complete.

DEBT RETIREMENT NEARS TARGET

Long-term debt was reduced by nearly $300 million in 1983, lowering the company's long-term debt-to-capitalization ratio to 29 percent, compared to 36 percent a year ago. As the company stated when it acquired St. Joe in 1981, this ratio is targeted to reach 25 percent by year-end 1984. Proceeds from the pending sale of the Distribution Group and oil and gas properties, plus cash from operations, will be major contributors toward this goal. The reduction in debt will lower ongoing interest expense, improve profitability, and increase the company's flexibility to take advantage of business opportunities.

(Charts E, F)

In recognition of Fluor's strong balance sheet, the credit rating agencies maintained a high investment-grade rating on the company's long-term debt and commercial paper. Following a review in late 1983, Standard & Poor's and Moody's awarded or reaffirmed ratings on Fluor's long-term debt of AA- and A-2, respectively. Standard & Poor's and Moody's reaffirmed ratings of A1+ and P1 on Fluor's commercial paper —their highest ratings. Duff and Phelps, which only rates Fluor's long-term debt, maintained their rating of 4, which is in the AA category.

CAPITAL INVESTMENT CONTINUES STRONG

Capital expenditures for the year were just over $300 million. Major projects included $97 million to complete new engineering facilities, $74 million for mining operations, and $111 million for investment in oil and gas properties.

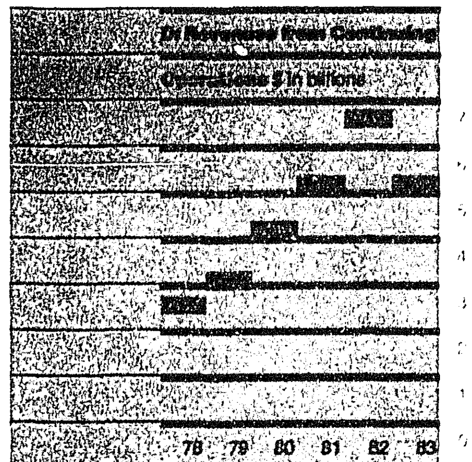
Over the past three years, the company has invested nearly $1.1 billion to expand or modernize Engineering and Construction complexes; mines, mills, and smelters; and to acquire interests in oil, gas, and mineral properties. The benefit of these investments should be fully realized as Fluor's businesses improve.

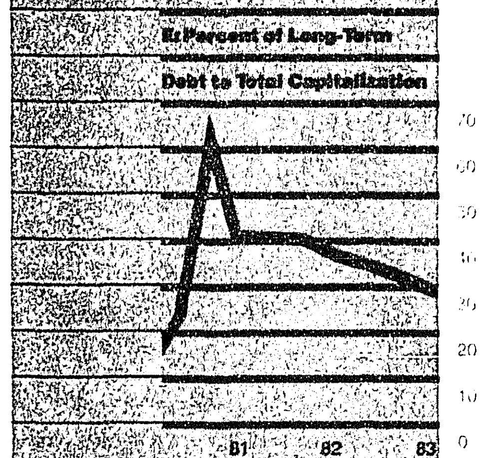
(Chart G)

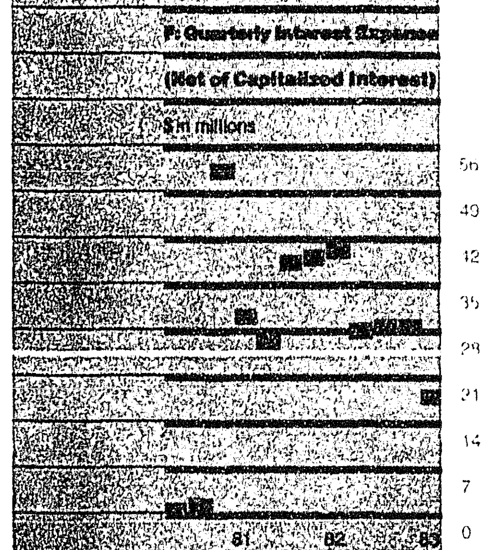
E&C, INTERNATIONAL MINERALS SHOW GOOD EARNINGS

The company's Engineering and Construction (E&C) and International Minerals operations were the major contributors to 1983 earnings.

E&C, largest of Fluor's two core businesses, reported operating profits just eight percent under the record high set in 1982. Revenues, however, declined 24 percent, and new orders dropped 57 percent. Because of recession-induced weakness in new orders, backlog at year-end stood at $5.6 billion compared with $10.7 billion a year ago.







In one of the most severe downturns in new awards for the industry since the 1930s, Fluor won approximately 40 percent of the major contracts it pursued. Fluor's E&C Group also far exceeded its historical share-of-market average for manhours booked.

This marketing success, under harsh competitive conditions, allowed Fluor to retain a greater percentage of its manpower in relation to the engineering and construction industry as a whole. Retention of manpower is a management priority that allows Fluor to respond quickly to client needs as business recovers.

E&C INDUSTRY TRENDS GAIN MOMENTUM

Cyclical in nature, the engineering and construction industry has tended to lag general economic recoveries. Key factors that signal an impending recovery are increases in plant capacity utilization, corporate cash flows, and profits. All were trending positive at year-end 1983 and should result in higher capital expenditures by clients in the coming months.
(Charts H, I)

Senior E&C operating executives have been temporarily assigned marketing responsibilities in their areas of expertise to enhance the company's prospects during the upturn.

Capital expenditures in the industrial sector are already showing recovery, and Fluor's Daniel International subsidiary is experiencing increased new business activity. Daniel builds plants for a wide variety of industries, including: pharmaceutical, electronics, automotive, food, chemical, pulp and paper, biotechnology, metal, nuclear and non-nuclear power, and many others.

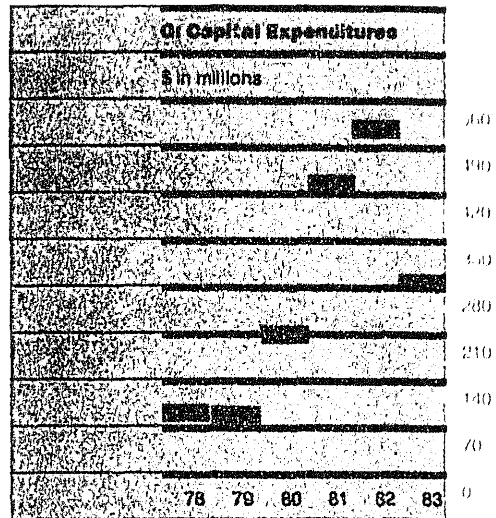
Historically, the engineering and construction industry has shown superior growth compared to overall U.S. industry. Current projections for relatively low inflation and relatively high industrial production in the 1980s indicate a continuation of superior growth for the E&C industry.
(Chart J)

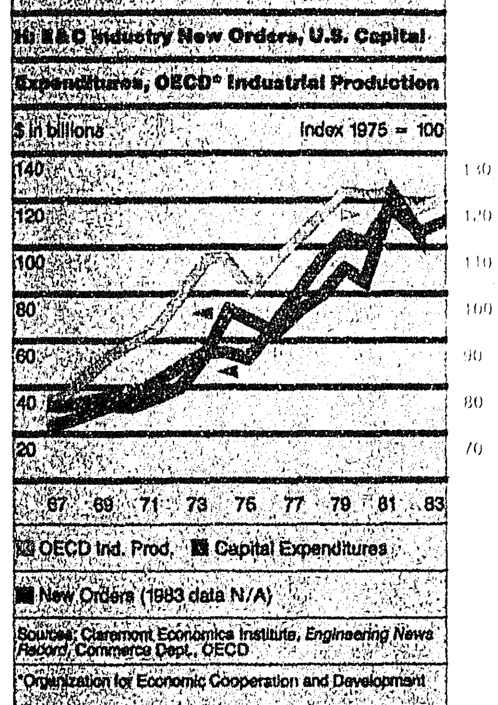
In addition to improving economic conditions, several other factors indicate strong long-term growth for engineering and construction in energy and non-energy markets. Investment by oil companies in offshore oil and gas leases, averaging over $5 billion per year since 1979, is a precursor to future E&C activity. Offshore California, work has started on platforms that will lead to pipelines, storage facilities, and processing plants. Similar activity is under way in Alaska and Canada.
(Chart K)

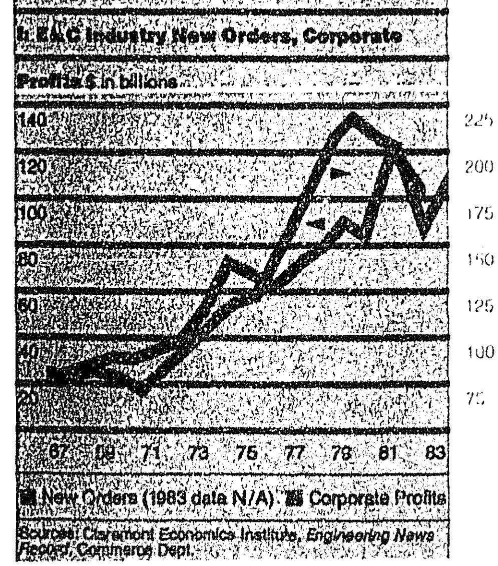
Demand for oil and gas production projects on- and offshore, throughout the world, is expected to represent the largest energy-related market for engineering and construction for the rest of the decade. Fluor is operating in every major area where production activity is planned or is under way.

In other energy-related areas, expenditures are planned for the reconfiguration of petroleum refineries in the U.S. and some grassroots facilities overseas. Substantial opportunities exist longer term in chemicals, petrochemicals, gas processing, and power, despite current overcapacity in some of these industries. The Middle East, for example, will continue to be an important market for gas processing projects, while cogeneration in the U.S. offers a growing amount of work in the power field. Petrochemical projects are emerging in third world countries that have access to low-cost resources.

The synfuels industry is an important target market for Fluor. The Synthetic Fuels Corporation's announced intention to provide loan guarantees and product subsidies assures that some large synfuels







ojects will be built in the United ates. Interest in synfuels continues nations where the development alternate energy resources is egarded as a national security issue.

In addition to Fluor's traditional non-energy markets, the company has selected transportation and telecommunications for special emphasis. The U.S. Transportation Assistance Act of 1982 has led to a renewal of interest in mass transit rail systems and highway renovation. The growing telecommunications industry also offers opportunities to Fluor for its project management, systems integration, and overall engineering talents.

Government work in nuclear fuel enrichment, reprocessing, and waste disposal is of growing importance to Fluor, as well.

(Charts L, M)

NATURAL RESOURCES OUTLOOK IMPROVES

The International Minerals segment of Fluor's Natural Resources operations reported a 12 percent increase in operating profit over the previous year, due primarily to higher gold prices and strong production levels.

Domestic Metals activities experienced an operating loss as a result of lead metal prices that fell to their lowest level since the 1930s. At year-end, however, lead prices were 35 percent above their low for the year. St. Joe's lead metal sales were seven percent above 1982, and the company improved its market share.

Average price for zinc was unchanged in 1983, although by year-end the trend was up. Sales increased 34 percent compared to the previous year. As industrial activity gains momentum, zinc consumption and prices should continue to strengthen, while lead prices are expected to move up gradually.

(Charts N, O)

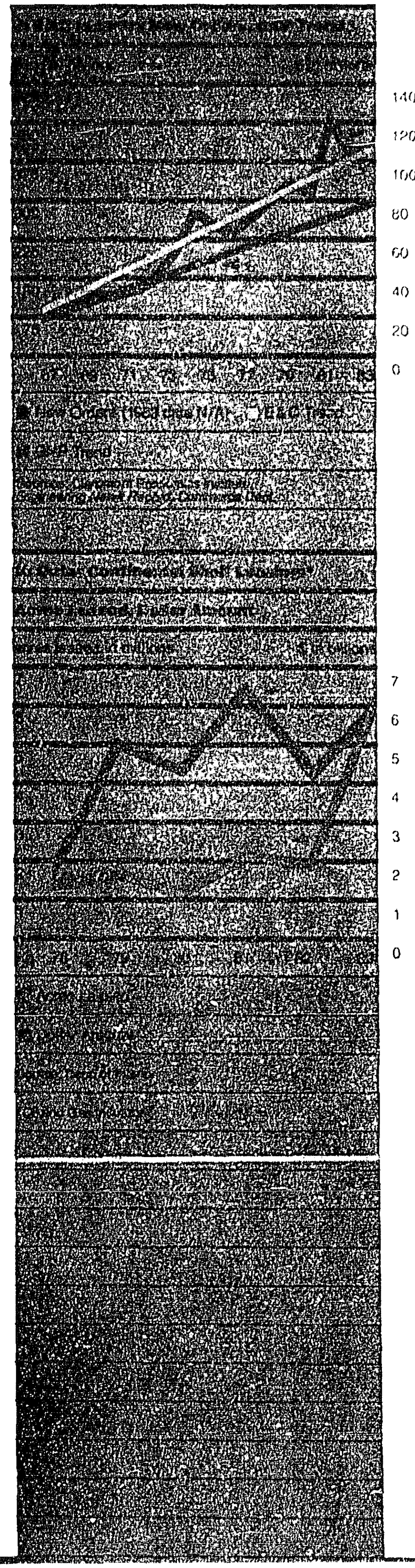
St. Joe maintained its long-standing program to improve return on investment and to minimize the cyclicality of the minerals business. This program entails considerable exploration, which amounted to $20 million in 1983. The strategy is to balance the already strong position in base metals with greater activity in precious metals and to develop other new, high-margin mineral product lines. The company will also continue to diversify geographically.

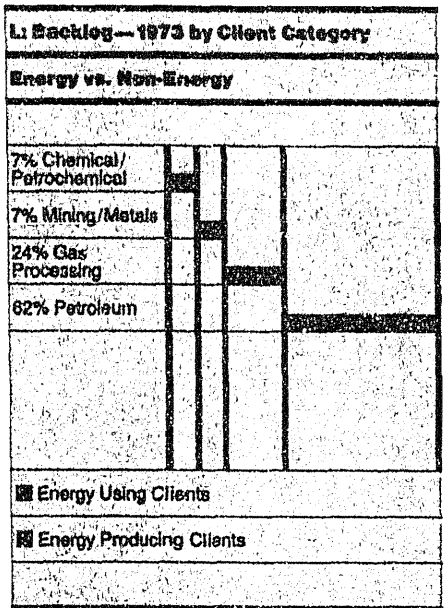
Coal operations reported a loss for the year, although production was up slightly. The worldwide recession and a strong dollar reduced demand for U.S. coal. However, gains in industrial activity should lead to higher demand in 1984. This coupled with improved productivity in Fluor's coal mines should lead to gradual improvement in coal operations.

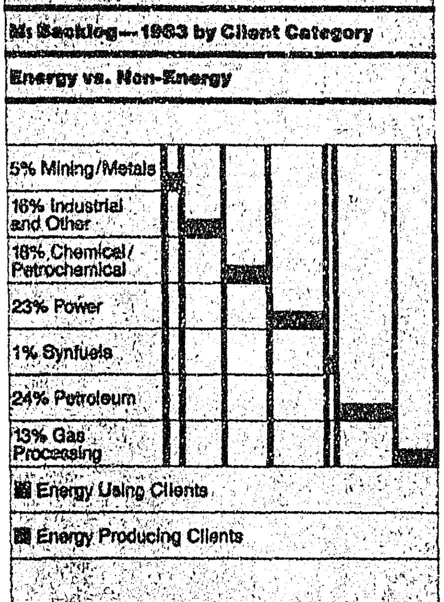
(Chart P)

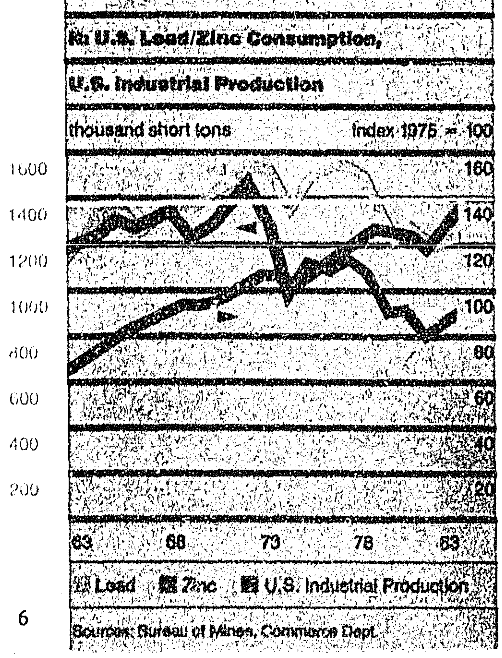
Operating profits from Fluor's oil and gas investments were down due primarily to lower oil and gas prices and a write-down for unsuccessful exploration efforts overseas. The planned sale of certain foreign oil and gas properties for approximately $66 million is consistent with the company's strategy to emphasize domestic oil and gas investments.

Fluor Drilling Services also reported a decrease in earnings. Principal reason was low utilization rates stemming from an oversupply of offshore drilling rigs, which caused a severe cut in day-rates, plus a write-off for the retirement of three obsolete rigs. The drilling market bottomed out in the second half of '83, and improved utilization rates are expected in 1984.









MANAGEMENT AND DIRECTOR CHANGES

During the past four years, Fluor has been engaged in a comprehensive management succession program to prepare for the retirement of senior executives. Significant management changes in 1983 were Dean K. Allen to President of Fluor Engineers, Inc. and Hugh K. Coble to Group Vice President–Marketing for the E&C Group. Both executives were elected to the Fluor Board in January 1984.

In Natural Resources, Roy K. Wheelock was named President and Chief Operating Officer of St. Joe Minerals Corporation.

William I. McKay and Arthur C. Sheffield, Group Vice Presidents and members of the Board, were named to the E&C Group's Executive Council.

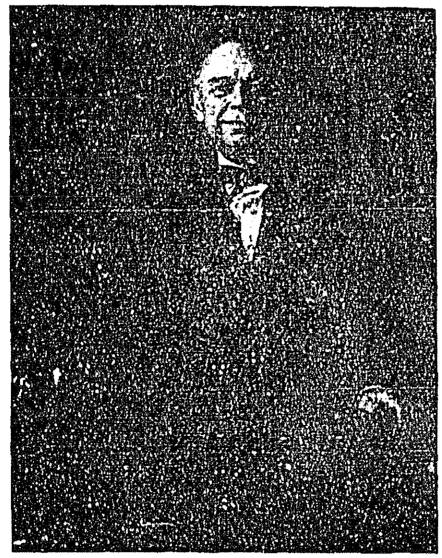
Charles W. Cox, Vice Chairman of Fluor's Daniel International Corporation, and Richard B. Humbert, Senior Vice President–Law and Tax and Secretary, retired from the Board. John K. Pike, Vice President and Chairman of Fluor Distribution Companies, Inc., resigned to pursue other interests.

INDICATORS TURN POSITIVE FOR 1984

In 1983, Fluor improved its competitive position, streamlined operations, strengthened its balance sheet, and prepared its organization for the business upturn.

We extend our gratitude to Fluor employees and shareholders for their support.

As the fiscal year came to a close, economic indicators most relevant to the industries we serve were turning positive. The result should be improved business conditions for Fluor in 1984.



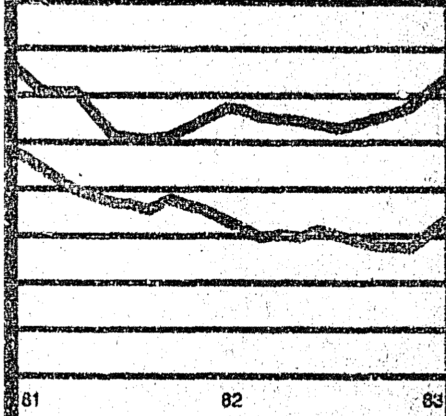
J. Robert Fluor
Chairman of the Board and Chief Executive Officer

David S. Tappan, Jr.
President and Chief Operating Officer

January 14, 1984

O: U.S. Producer Prices, Lead Metal and Zinc Metal Average Monthly Price

cents per pound

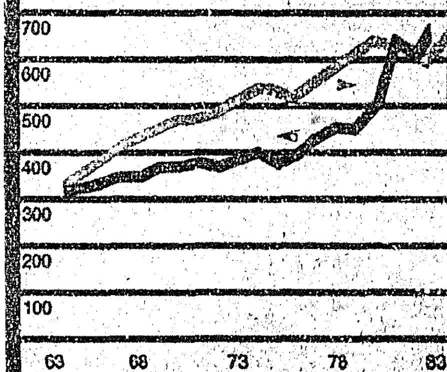


Zinc Metal Lead Metal

Source: *Metals Week*

P: Steam Coal, U.S. Industrial Production

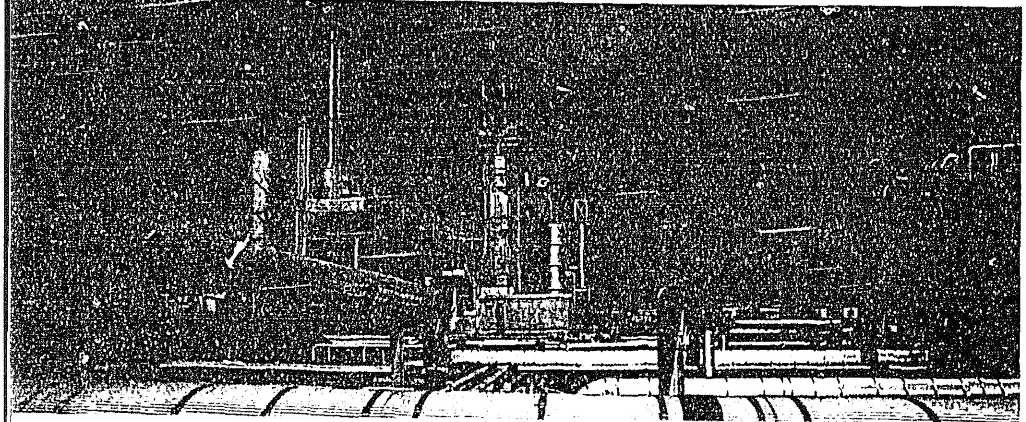
thousand metric tons Index 1975 = 100



U.S. Industrial Production

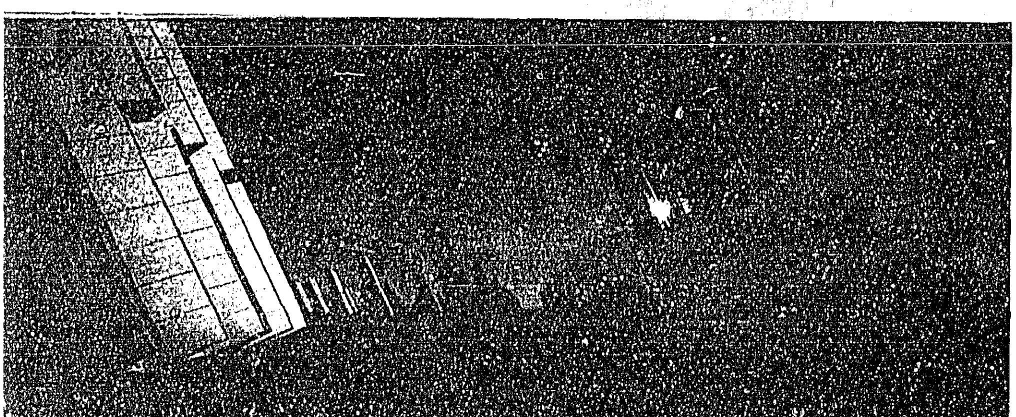
Steam Coal (1983 data N/A)

Sources: Claremont Economics Institute, Chase Econometrics, Commerce Dept.



◄ Fluor completed engineering, procurement, and construction management on a 30,000-barrels-per-day refinery expansion for Ultramar in Quebec, Canada. The project was completed under budget and ahead of schedule.

▲ Fluor is project services contractor for a $3 billion North Sea gas gathering system.



◄ Fluor is providing engineering, procurement, and construction for a photo-voltaic power complex.

ENGINEERING AND CONSTRUCTION

Operating profit from the Engineering and Construction Group reached record levels at mid-year and then began to weaken due to a decline in new orders during the industry-wide recession. Revenues and operating profit amounted to $4.1 billion and $210.7 million, respectively, in 1983 compared to $5.4 billion and $228.6 million in fiscal 1982. New orders and backlog also declined, from $2.9 billion and $10.7 billion, respectively, in 1982 to $1.2 billion and $5.6 billion in 1983.
(Charts Q, R)

Approximately $550 million in new orders booked for 1983 are phased-release awards with considerable potential value. Several of the contracts—which involve offshore oil and gas production, process plants, mining, and non-power nuclear work—are expected to progress to full-scale in 1984.
(Chart S)

Faced with soft markets and increased competition, the Engineering and Construction Group intensified its marketing efforts worldwide and was successful in increasing its share of reduced markets. Of 17 major projects targeted by Fluor Engineers, Inc. during the year, the company received seven, or 41 percent of the total.

The E&C Group—comprised of Fluor Engineers, Fluor Constructors, and Daniel International Corporation—reduced operating costs in 1983 and increased productivity. Manpower levels were brought down by 22 percent to cope with the decreased workload.

In terms of major projects completed, fiscal 1983 was a banner year. More than a dozen large-scale jobs were completed around the world, including refinery modernization programs in the United States, Venezuela, Canada, Europe, and South Africa.

Particularly significant were four projects performed jointly by Fluor Engineers and Daniel. Joint efforts covered such diverse industries as petroleum refining, gas processing, chemicals, and synthetic fuels. Typically, Fluor performed engineering and design, and Daniel was responsible for construction.

At Borger, Texas, the two companies combined on a $300 million refinery modernization program to allow for processing of a wide range of crude oils. In Evanston, Wyoming, Fluor and Daniel teamed efforts on a $230 million gas processing plant. At Pensacola, Florida, the two companies built the largest chemical plant of its kind. And in western Colorado, Fluor and Daniel completed major first-phase facilities for a $600 million shale-oil project.

The acquisition of Daniel in 1977 added an open-shop construction capability to match Fluor's traditional union-shop mode.

OIL & GAS PRODUCTION

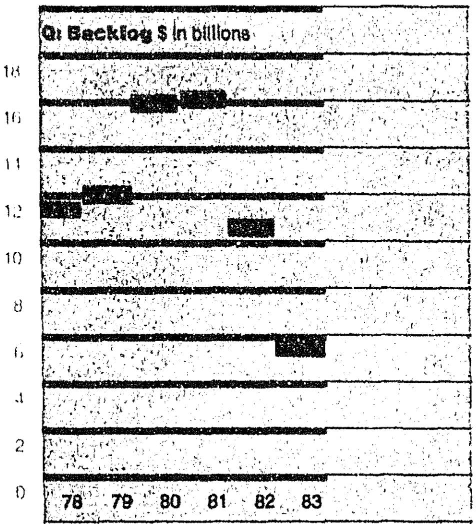
Energy companies continue to allocate a high percentage of their capital budgets to oil and gas production. Fluor is tracking 30 such projects worth almost $40 billion. The majority are in the North Sea, offshore California, the Arctic, and off the Maritime Provinces of Canada.

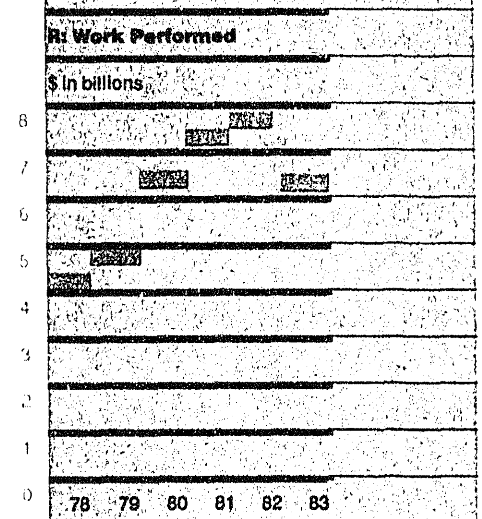
At Point Arguello, California, Fluor is designing and engineering a major offshore platform complex. Oil and gas will be transported from a production platform via subsea pipelines to onshore processing and distribution facilities. Project completion is set for 1985.

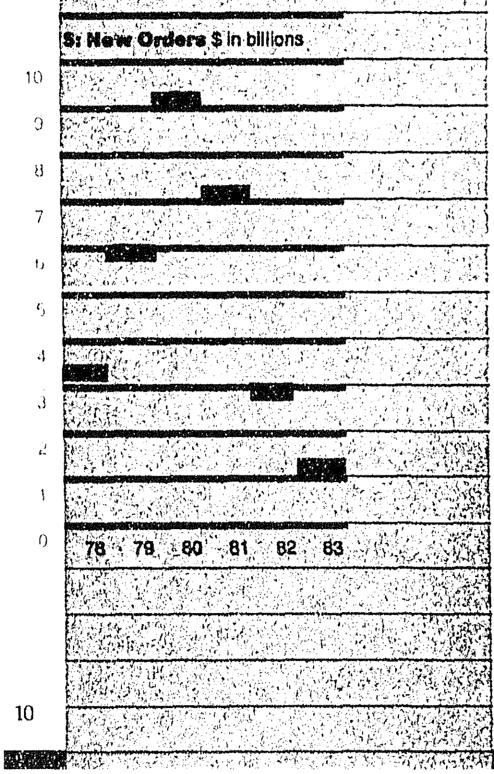
In Canada, Fluor is part of a joint venture for the country's first major offshore project, a multibillion-dollar program to produce and process gas from the Venture Field off Nova Scotia. Fluor is providing project management services.

In the Norwegian sector of the North Sea, Fluor is serving as project-services contractor for the world's largest gas production network and an onshore gas treatment plant and terminal. Jackets for two riser platforms were installed during the year as well as 352 miles of offshore pipeline. Project completion is scheduled for early 1986.

Fluor is providing detailed design and procurement assistance for development work in the Highlander Oil Field in the United Kingdom sector of the North Sea. The work involves a subsea template, connecting pipelines and controls, and modifications to the platform topsides.







Early in the year, Fluor was selected to assist in development of the Ras Fanar Gas Field in the Gulf of Suez, Egypt. Fluor is providing design and procurement assistance for the $100 million project, which will involve two offshore platforms, subsea pipelines, onshore power plants, and crude oil processing and export facilities.

In the Gulf of Mexico, Fluor served as construction manager for an oil-recovery program offshore Venice, Louisiana. The project involved modifications to six oil-and-gas production platforms in approximately 200 feet of water.

Three other developments in 1983 relate to the potential in offshore production markets. In May, Fluor announced the formation of a joint venture with C. G. Doris of Paris. The company, Fluor-Doris, Inc., based in Houston, provides engineering, design, and construction services for offshore areas of North and South America. Emphasis will be placed on Doris' experience with deepwater production platforms made of concrete, steel, or composite for ice-laden waters.

Earlier in the year, Fluor acquired a Dutch engineering company, Marcon, that specializes in design and engineering of offshore structures and semi-submersibles.

Fluor Engineers signed a long-term agreement with Bethlehem Steel Corporation to combine talents in design and construction of tension-moored platforms for deep-water exploration and production.

REFINING

Despite excess petroleum refining capacity, opportunities exist for modernization work. Modifications will be required to process heavier crudes and to upgrade older units. Jointly owned processing facilities are also under study by some U.S. energy firms.

In addition, Fluor is tracking grassroots refinery projects and expects continued revamping activity in the United States and abroad.

PETROCHEMICALS

In the chemical-petrochemical sector, which also faces excess capacity, clients have reported recoveries in third- and fourth-quarter profits. This should lead to additional plant investment. Meanwhile, a number of new-technology opportunities exist in polymers. In Saudi Arabia, Fluor is completing two petrochemical projects in Al Jubail.

SYNFUELS

While development of synthetic fuels in the United States lost momentum as oil prices declined, encouraging developments have occurred. Late in 1983, the U.S. Synthetic Fuels Corporation (SFC) granted a favorable price guarantee to one developer to convert shale rock into oil in Colorado. The SFC is looking at other programs and is committed to production of new domestic fuels to replace foreign imports. The government has earmarked $10 billion for this effort in 1984.

Fluor recently completed engineering and construction on first-phase facilities for an oil-shale project at Parachute Creek, Colorado.

There is continued interest in synfuels overseas as well, primarily in South Africa, Australia, and South America.

MINING

Fluor was awarded three significant mining projects during the year. Work commenced on the initial phase of an engineering, design, procurement, and construction management contract to develop coal reserves in the Book Cliffs Field in Utah.

In China, Fluor was awarded a contract by the China National Coal Development Corporation for basic engineering of a major multi-seam lignite mine and preparation of a master development plan.

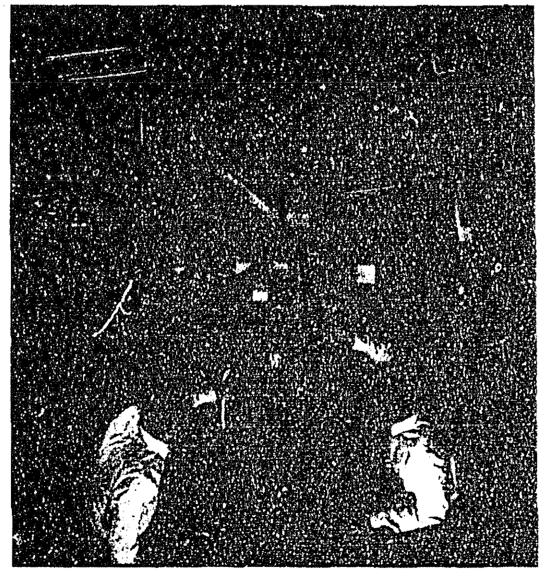
During 1983, Fluor formally established Fluor-Chile, S.A. in Santiago to perform design, engineering, procurement, and construction for mining and metallurgical industries in South America. Late in the year, the unit was awarded preliminary engineering on a mining project outside Santiago.

INDUSTRIAL AND COMMERCIAL

Fluor's activity in general industrial and commercial projects included recent awards for biotechnology facilities in California, corn milling plants in Minnesota and South Africa, and pharmaceutical projects in North Carolina and West Germany.

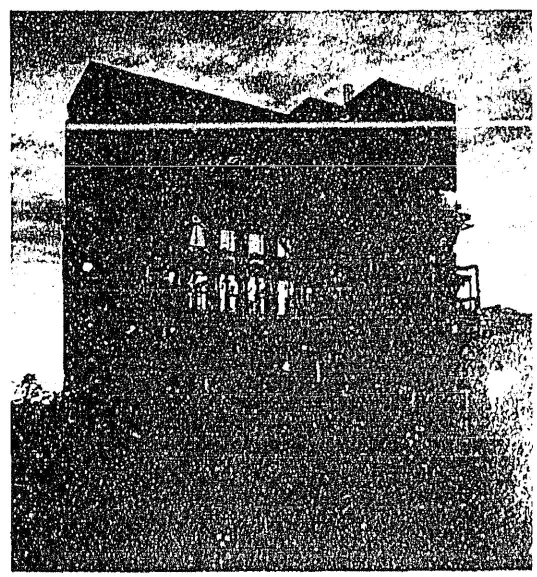
Accelerated by a recovery in car sales, the automotive industry has planned major capital programs for assembly, components, and parts. Daniel, for instance, completed a highly automated assembly plant in Tennessee for a Japanese manufacturer.

Engineering design and equipment procurement is being provided by Fluor for a drilling and production platform (model pictured) in the Santa Maria Basin, offshore California. It will be one of the first in the basin.



Fluor is general engineering consultant for a [illegible] billion high-speed rail system similar to above.

Daniel completed conceptual design and construction of a new coffee plant in Texas.



Pulp and paper represents a strong market for revamp and co-generation work. Ongoing projects include a pulp plant in Alabama, a newspaper mill in Georgia, a bleached pulp and paper mill in South Carolina, and a pulp and paper renovation in the same state.

In other industrial and commercial areas, Daniel is working on a can manufacturing plant in West Germany, an aluminum rolling mill in Kentucky, and infrastructure for Tanajib, an industrial complex in eastern Saudi Arabia.

POWER

Fluor was awarded total responsibility for a 300-megawatt cogeneration plant near Bakersfield, California. The plant, one of the world's largest, will produce electricity for utility power and steam for oil recovery.

Fluor also obtained engineering and construction responsibility for the world's largest photovoltaic power plant, a six-megawatt unit in central California that converts sunlight into electricity. Photovoltaic cells promise to become a practical method of energy production, especially in remote areas where power grids are not available.

Large power reserves—combined with slower economic growth and conservation—have dampened prospects for new plant construction in the next several years. Available work will consist largely of modifications, retrofits, and maintenance and upgrading of older plants to improve efficiency.

MAINTENANCE

Historically a strong market for Daniel in the U.S. and Puerto Rico, plant maintenance has been extended through Fluor Mechanical Services and Fluor Plant Services. The company was awarded a variety of significant maintenance contracts in the Mideast, South Africa, Canada, and Europe.

NEW MARKETS

As part of its long-term strategy, Fluor has established a foothold in non-traditional markets that promise growth. A number of contracts reflect this emphasis.

Through its Advanced Technology Division, Fluor was awarded 15 contracts for studies and development work in a broad range of emerging industries. These include: synfuels, biotechnology, fuel cells, landfill gas processing, methanol, coke utilization, and nuclear fuel processing and disposal.

Among major government projects awarded were three by the U.S. Department of Energy and one by the Army Corps of Engineers. In March, Fluor was chosen to provide engineering services for conceptual design of a nuclear waste repository. It will be designed to isolate commercially generated spent fuel and high-level waste. Initial design work could lead to additional contract increments in a 12- to 15-year program.

The Department of Energy selected Fluor to provide advanced conceptual design for a nuclear processing facility near Richland, Washington. Full contract release is expected in early 1984.

The company also won an architect/engineering services contract for the Department of Energy at its Idaho Falls National Laboratory. Fluor has been retained to provide engineering services for a variety of nuclear and non-nuclear programs.

For the Corps of Engineers, Fluor designed a wash-down system for the space shuttle launch complex at California's Vandenberg Air Force Base. The contract calls for facilities to remove corrosive exhaust wastes that collect on the launchpad during liftoff.

Work continued for the U.S. government at its uranium enrichment plant in Portsmouth, Ohio. Enriched uranium is used to generate electricity in nuclear power plants. Fluor's design work on the massive project has been under way since 1978.

To pursue two other market areas, Fluor has organized a Transportation and Infrastructure Division. The division focuses on major domestic and international projects in mass transit, airports, public ports, highways and bridges, water resources, defense, and infrastructure.

The new division's first contract came early in fiscal 1983 when Fluor was named general engineering consultant for the $3 billion Los Angeles to San Diego high-speed rail project. The 131-mile, privately funded system will be the first high-speed railroad in the Americas.

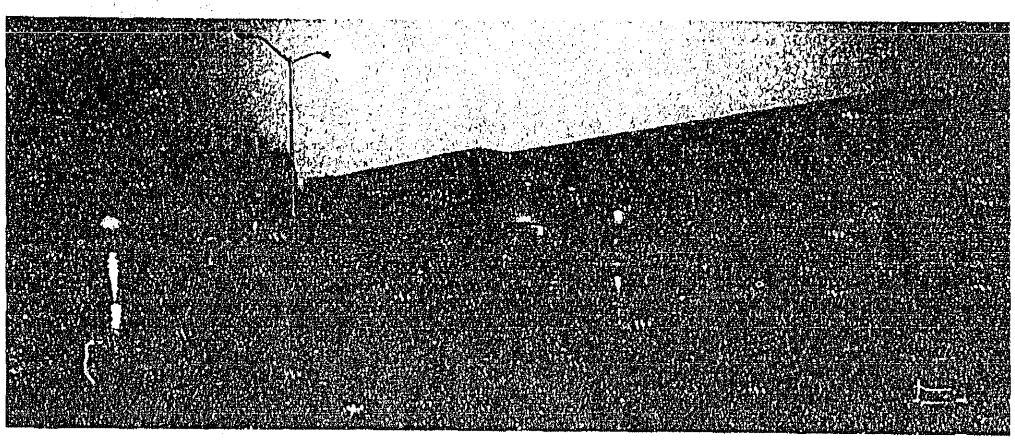
In addition, the division has formed joint-venture associations for projects with a potential value in excess of $13.5 billion.

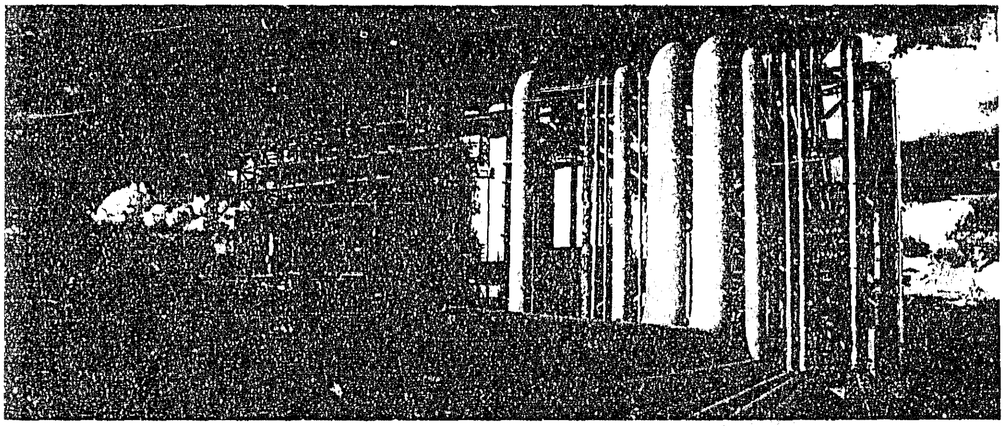
Fluor also is involved, through Daniel, in a $134 million peoplemover in downtown Miami. The system features a train of electrically powered vehicles that will transport travelers along a two-mile elevated rail loop in the heart of the city. Daniel is providing construction management for the project.

The huge 200,000 barrels-per-day expansion of Pertamina's Cilacap refinery (Indonesia) was built by Fluor and officially dedicated by President Suharto in August 1983. The original completion schedule was December 1983.

Daniel is constructing a $800 million, grassroots bleached pulp and paper mill for Union Camp Corp.

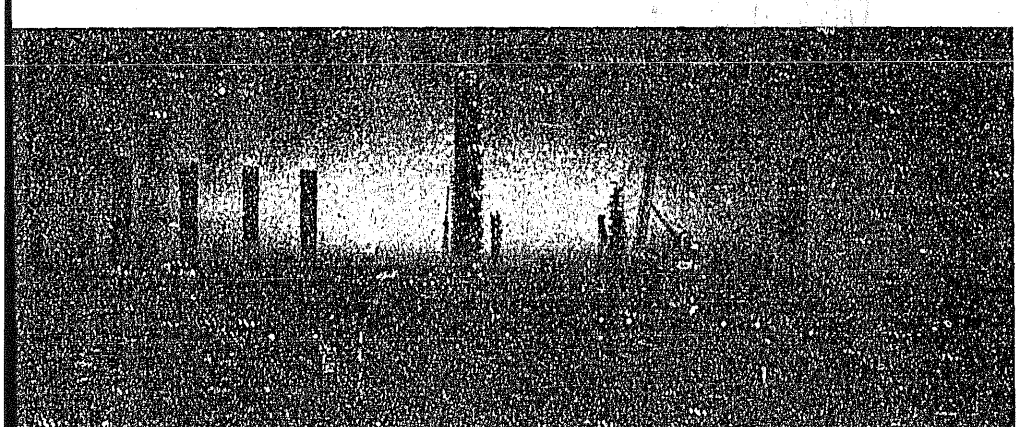
Daniel designed and constructed a grassroots polyester non-woven fabric plant for Lutravil.





◀ One of the world's largest synthetic rubber plants was completed by Fluor at Newcastle, South Africa. Fluor performed engineering, procurement, and construction on the 80,000 metric tons-per-year facility.

▲ Daniel completed a Nissan truck complex in Tennessee that utilizes more than 220 robots.



◀ Fluor is providing engineering, procurement, construction on a petrochemical complex in Saudi Arabia.

To service still another market, Fluor Telecommunications Services was created. The group offers a full range of services based on its telecommunications experience from major process-plant projects. Telecommunications technology, for example, was involved in such major programs as the Alyeska pipeline terminal and pump stations, the Louisiana Offshore Oil Port, the ARAMCO Central Dispatch communications system that covers 50,000 square miles in Saudi Arabia, and the Petroleum Authority of Thailand Gas Pipeline project.

NATURAL RESOURCES

The Natural Resources section includes St. Joe's Domestic and International Minerals, 50 percent ownership of Massey Coal Company; the Oil and Gas Group; and Fluor Drilling Services.

St. Joe's operations recorded revenues of $866.5 million and operating profit of $25.8 million in fiscal 1983, down from $886.9 million in revenues and $48.8 million in operating profit for the prior year. The decline is due to depressed commodity markets worldwide, especially in lead and coal. This was partially offset, however, by favorable gold and silver prices that on average were higher than the previous year.

St. Joe continued to reduce operating expenses and improve productivity during the year. Additionally, manpower levels were reduced by seven percent. St. Joe successfully maintained, and in some cases increased, market share while keeping inventories low. Lead production costs were reduced by nearly 10 percent.

During the year, St. Joe completed relocation of its corporate office from New York City to Clayton, Missouri. The move saves approximately $10 million annually in administrative and overhead costs. Offices of St. Joe International remain in New York.

With an improving economy, St. Joe anticipates gradual strengthening of its base-metals markets. Lead and zinc prices finished the year on an upward trend. Producer price of lead in 1983 was the worst since the Great Depression, but it moved up from a mid-year low of 20 cents to 27 cents per pound by October. The price of zinc declined from 42 cents at the start of the year to 38 cents per pound in March, then rebounded to 49 cents by fiscal year-end. Continued recovery in automobile and housing markets should contribute to further advances.

DOMESTIC METALS

The Domestic Metals Group is the largest fully integrated producer of lead and zinc in the United States and operates the only domestic underground iron ore mine. The group also produces gold and silver. Lead and iron ore operations are located in southeastern Missouri, zinc mining in northern New York State and smelting in southwestern Pennsylvania. Gold recovery is in central California, while silver is a by-product of St. Joe's lead production.

(Charts U, V)

Despite a severe recession in the metals industry during 1983, St. Joe maintained a relatively high level of lead production and sales. St. Joe sold 221,000 tons of refined lead, a slight increase over 1982. The company accounted for approximately 41 percent of U.S. lead ore mined in fiscal 1983, and approximately 20 percent of total domestic lead-metal production.

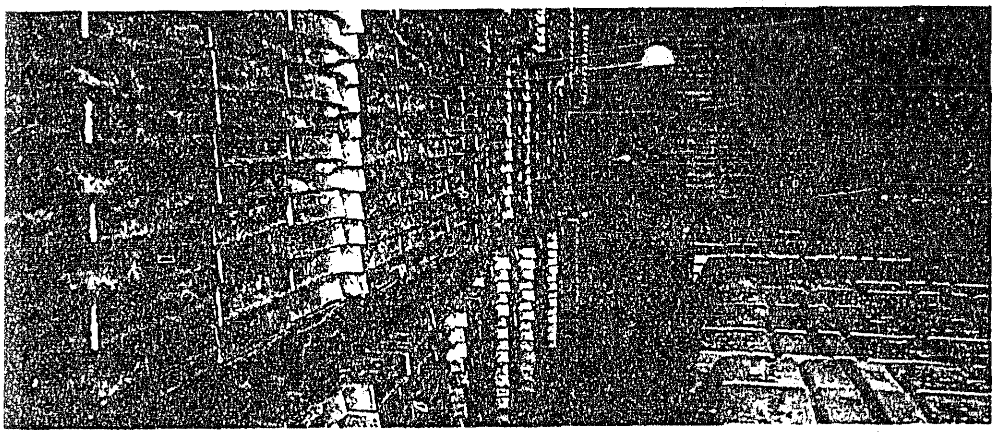
(Chart W)

Development of the new Bixby lead mine in Missouri continued during the year, and it is expected to commence production early in 1984. The nearby Viburnum mill was expanded and modernized to accommodate the increased production, 4,000 tons per day.

St. Joe places emphasis on by-product recovery. During the year, the company continued development work on a new process to separate cobalt from lead and copper concentrates.

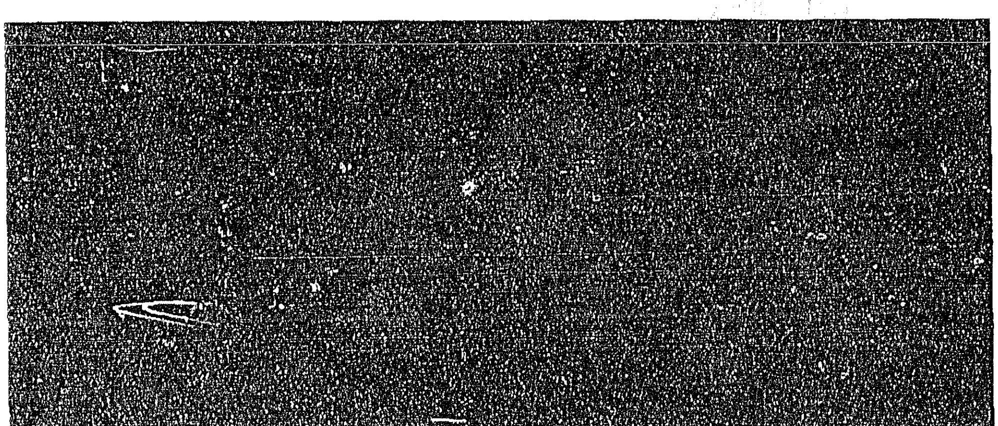
Efforts continued as well to capitalize on higher-margin, value-added products. Marketability of St. Joe's iron ore pellets, used in steel production, was enhanced by chemical additions to the pellets. This modification gives St. Joe a product that is attractive to a broader customer base.

Sales of iron pellets at St. Joe's Pea Ridge Mine in 1983 amounted to 672,000 gross tons, down from 786,000 gross tons in 1982. In 1984, production of iron pellets is expected to rebound to more than one million gross tons as a result of improved business conditions in the steel industry.



St. Joe increased capacity at its Monaca zinc smelter and refinery by 15,000 tons during the year.

St. Joe is exploring Tambo near El Indio, Chile. Evaluation will be conducted in 1984.



The new Bixby lead mine started producing development ore during the year.

St. Joe's domestic zinc mines accounted for 28 percent of U.S. production in fiscal 1983. Installation of a new furnace at the company's Monaca smelter increased capacity from 85,000 to 100,000 tons per year. More than 100,000 tons of zinc metal equivalent were sold by St. Joe's domestic operations in 1983, up 34 percent.

(Chart X)

The Domestic Metals Group made process improvements at Monaca that resulted in an annual savings of more than a half-million dollars. This partially offset increased raw material costs.

The group has two-thirds interest in a 2,000-acre gold mining venture along the Yuba River in California. Domestic gold production amounted to approximately 11,000 troy ounces in 1983. Production is expected to increase to an annual rate of 15,000 troy ounces in 1984.

On the exploration front, Domestic Metals is evaluating several base- and precious-metals prospects, including lead and zinc in the Midwest and East and gold in California. In early 1983, the company filed an application to mine on 2,200 acres of leased property along the San Juan Ridge in Nevada County, California. A U.S. Geological Survey has estimated that the property contains one of the largest remaining placer gold concentrations in the United States.

INTERNATIONAL MINERALS

Foreign operations are conducted through St. Joe International Corporation, which mines gold, silver, and copper in Chile, and lead, zinc, silver, and copper in Argentina, Peru, and Australia. Increased earnings were recorded by this unit in 1983 primarily as a result of higher precious-metals prices.

Chilean operations are centered around the El Indio gold mine, of which the company owns 82 percent. The particularly profitable DSO, or Direct Shipping Ore, which requires no on-site processing, has been in production since 1979. A mill and roaster were inaugurated at the mine site in December 1981 to process lower grades of ore. Since that time capacity has been increased from 1,400 tons to 1,550 tons of ore per day. Additional modifications in 1984 will increase capacity to 1,700 tons per day.

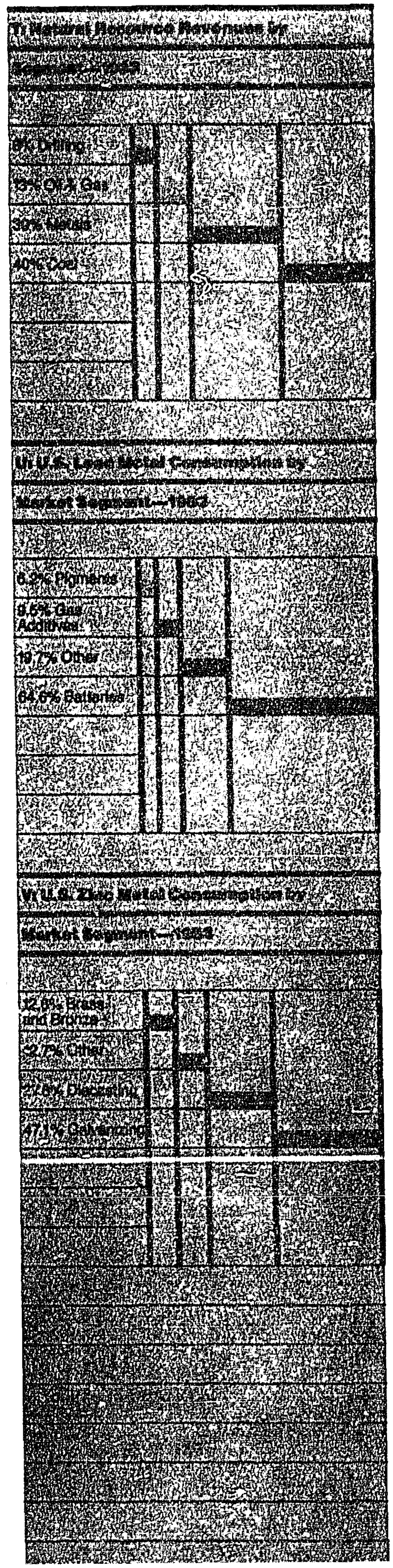
(Chart Y)

During 1983, El Indio sold 362,000 troy ounces of gold and 926,000 troy ounces of silver, compared to 368,000 troy ounces of gold and 536,000 troy ounces of silver in 1982.

El Indio's milling ore reserves are estimated at 5 million tons that average .3 troy ounces of gold per ton. DSO contains about 6.8 troy ounces of gold per ton, and proven and probable reserves are estimated at about 66,000 tons.

Properties around El Indio are undergoing extensive exploration. Gold discoveries are sought in four areas along a 160-kilometer belt in the Andes north and south of El Indio. The most promising of these is Tambo, where St. Joe holds 82 percent ownership.

In Argentina, St. Joe's Aguilar mine is operating at a rate of 668,000 tons of ore annually. Proven and probable reserves total 6.2 million tons that consist of 5.8 percent lead, 6.9 percent zinc, and 3.5 troy ounces of silver per ton. A new tunnel completed at the mine will allow more efficient and economical movement of ore to the mill and will give access to lower-level reserves.



In 1983, Aguilar produced concentrates containing approximately 32,000 tons of lead, 37,000 tons of zinc, and 1.6 million troy ounces of silver. To maintain sales, part of the concentrates normally sold to smelters and refiners in Argentina have been exported for the past three years.

St. Joe holds 50 percent ownership in Sulfacid, the principal active zinc refinery in Argentina. Zinc capacity at Sulfacid has been increased from 25,800 to 31,700 tons annually in the past two years.

Active exploration programs are being conducted in Argentina where two precious-metals prospects contiguous to St. Joe's Chilean properties are being evaluated.

Financial results from the company's one-third ownership of the Woodlawn venture, primarily a zinc, lead, and copper mine in New South Wales, Australia, were disappointing because of technical problems and low metal prices. Major improvements made during the year, however, permit more efficient recovery. This, plus a stronger zinc market, is expected to lead to a turnaround in 1984.

St. Joe's principal operation in Peru is the Santander zinc mine in the Andes. About 35,000 tons of zinc concentrate were produced in 1983. During the year, St. Joe acquired a modern mine, known as Madrigal, in Southern Peru. Madrigal's estimated concentrate production per year is 1,400 tons of copper, 7,000 tons of lead, 16,000 tons of zinc, and 430,000 troy ounces of silver.

In Brazil, the Mocambo tin project is in development. High-grade reserves have been proven. This is an alluvial deposit requiring a relatively low capital investment. Tests to determine plant design were completed in 1983.

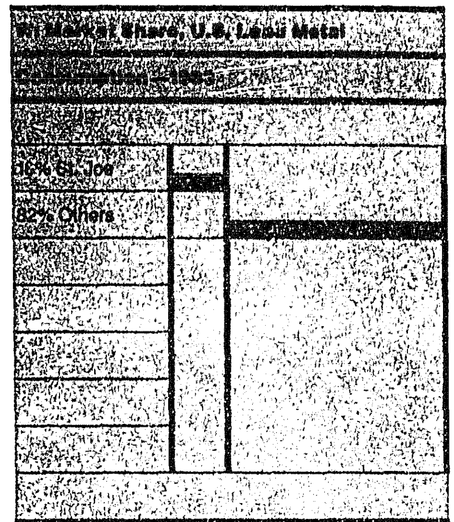
St. Joe has ascertained diamond grades at Araguaia. An investment partner is under consideration for exploration dredging.

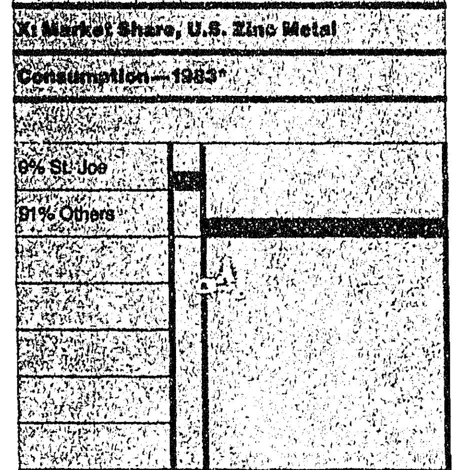
St. Joe's exploration strategy is to search for selected minerals in politically stable countries to locate high-grade and low-cost orebodies. In recent years, a major effort has been directed toward precious metals, particularly gold. Secondary emphasis has been placed on base metals such as lead and zinc to enhance ongoing operations. A third effort has been on metals critical to the United States but not available domestically in significant amounts. Exploration programs are under way in North and South America and Europe.

COAL

St. Joe coal operations are managed through Massey Coal Company, a 50/50 joint venture with Scallop Coal Corporation, a member of the Royal/Dutch Shell Group of companies. Massey's coal resources consist of approximately one billion tons of recoverable low-sulfur reserves primarily in the Appalachian fields close to transportation lines.

Over the last two years, Massey has suffered from an industry-wide cost-price squeeze. Since federal legislation deregulated rail freight pricing in 1980, transport rates have risen some 58 percent. Coal prices declined an almost equal amount owing to the recession and a strong dollar, which made American coal less competitive on world markets.





*63% of U.S. zinc metal consumed is imported

Despite these pressures, Massey managed to maintain its volume during the period through increased sales to domestic electric utilities. Total sales of produced coal in 1983 amounted to more than 18 million tons, and coal purchased for resale totaled three million tons, about equal to levels in each of the last two years.
(Chart 2)

OIL & GAS

Fluor Oil and Gas Corporation and St. Joe Petroleum Corporation were combined during the year to form a new Oil and Gas Group. This group recorded $15.7 million in operating profit on revenues of $135.8 million in 1983, compared to $69.7 million and $225.8 million, respectively, in 1982. Included in 1983 results were write-downs of development costs in certain foreign countries where the company has discontinued its exploration efforts.

During the year, Fluor completed the sale of Coquina properties for $209 million that were acquired in 1981 as part of the St. Joe merger. Fluor retained six tracts in the Santa Maria Basin offshore California and has begun exploration. Industry sources estimate 500 million to one billion barrels of recoverable oil in this basin.

Foreign production continued at planned levels. In Greece, production in the Prinos Field (14 percent ownership) averaged 25,000 barrels per day during 1983. In Indonesia, where a 10 percent interest is held, production averaged 33,000 barrels per day. Buchan Field in the North Sea, where Fluor holds 13 percent interest, averaged 30,000 barrels per day. Agreement to sell this interest was reached shortly after the close of the fiscal year.

In Argentina, Fluor Oil and Gas and its partner successfully renegotiated with the government a contract that increased the price received for crude oil from the Centenario Field. Since then, production has more than doubled to about 3,500 barrels per day.

Domestically, Fluor continued to participate with Shell Oil and others in offshore Gulf of Mexico leasing activities. The company acquired interests ranging from 8 to 11 percent in 76 offshore blocks.

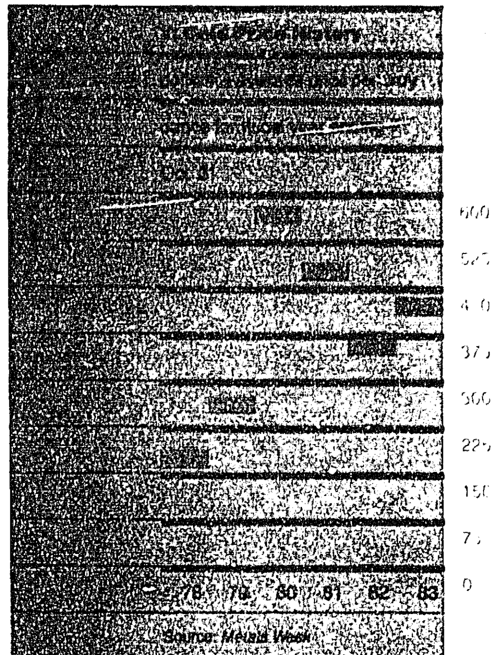
A number of exploratory successes were realized during the year and will be developed in 1984. Production should start by year-end.

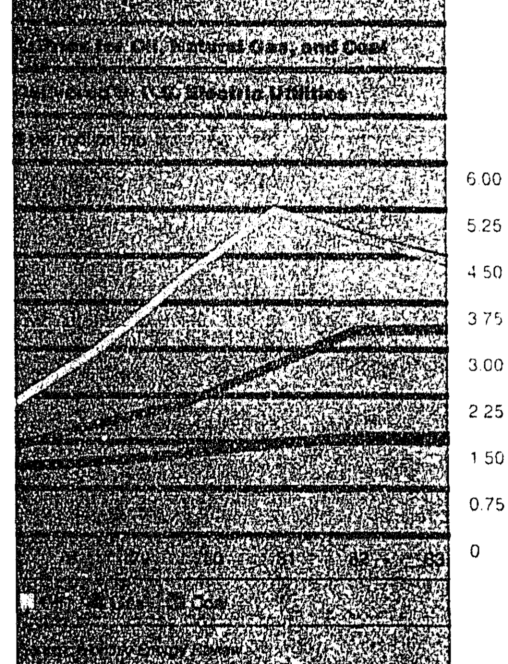
DRILLING

Fluor Drilling Services (FDS) provides contract drilling services to the offshore petroleum industry. This unit recorded decreased earnings in 1983 as the industry absorbed the combined effects of reduced drilling and an oversupply of rigs. Following six years of unprecedented earnings, FDS recorded operating profit of $4.1 million in 1983, compared to $60.4 million in 1982.

Also affecting results in 1983 was a write-off of $6 million after taxes for three obsolete rigs that were removed from service. Retirement of these 20-year-old rigs, which were no longer competitive, reduces the group's operating costs.

FDS' fleet consists of 11 offshore drilling rigs, seven of which operate domestically in the Gulf of Mexico and four in foreign waters. Excluding the three obsolete rigs, FDS' utilization rate in 1983 was 71 percent, about equal to worldwide averages.





OPERATIONS STATISTICS

Engineering and Construction $ in thousands

Years ended October 31,	1983	1982	1981	1980	1979	1978
Work Performed	$6,335,741	$ 7,526,128	$ 7,295,853	$ 6,557,957	$ 4,803,000	$ 4,275,892
Revenues	4,105,172	5,384,723	4,812,191	4,129,766	3,112,311	2,538,953
Operating Profit	210,676	228,587	227,980	184,382	154,750	141,829
New Orders	1,244,553	2,908,822	7,100,552	9,113,746	5,876,721	3,278,248
Backlog	$5,610,687	$10,711,815	$16,166,292	$15,917,558	$12,135,512	$11,517,919
Manpower	18,998	24,498	25,858	23,601	20,402	18,945

Backlog by Industry and Location

$ in millions	$ 1983	%	$ 1982	%	$ 1981	%	$ 1980	%	$ 1979	%	$ 1978	%
Power	1,310	23.1	1,760	16.3	2,728	16.6	2,744	17.1	3,128	25.7	3,623	31.3
Petroleum	1,254	22.1	2,217	20.5	3,287	20.1	2,431	15.1	635	5.2	864	7.5
Chemical/Petrochemical	1,011	17.8	2,413	22.3	4,199	25.6	3,459	21.5	592	4.9	731	6.3
Gas Processing	738	13.0	1,634	15.1	1,945	11.9	2,979	18.5	2,795	22.9	3,884	33.6
Mining/Metals	279	4.9	761	7.0	1,406	8.6	1,062	6.6	582	4.8	310	2.7
Paper	238	4.2	479	4.4	235	1.4	216	1.3	179	1.5	224	1.9
General Industrial	145	2.6	371	3.4	636	3.9	358	2.2	240	2.0	108	.9
Synfuels	48	0.9	215	2.0	831	5.1	1,922	11.9	2,935	24.1	1,055	9.1
Oil and Gas Production	37	0.7	124	1.1	95	.6	331	2.1	740	6.1	379	3.3
Other	551	9.7	738	6.8	804	4.9	415	2.6	310	2.4	340	3.0
Total Engineering and Construction	5,611	99.0	10,712	98.9	16,166	98.7	15,917	98.9	12,136	99.6	11,518	99.6
Drilling	59	1.0	114	1.1	220	1.3	177	1.1	56	.4	45	.4
Total	5,670	100.0	10,826	100.0	16,386	100.0	16,094	100.0	12,192	100.0	11,563	100.0
United States	2,579	45.5	4,695	43.4	7,075	43.2	6,423	39.9	4,375	35.9	5,017	43.4
Outside U.S.	3,091	54.5	6,131	56.6	9,311	56.8	9,671	60.1	7,817	64.1	6,546	56.6
Total	5,670	100.0	10,826	100.0	16,386	100.0	16,094	100.0	12,192	100.0	11,563	100.0
Backlog includes owners' cost of approximately	34%		35%		33%		28%		45%		40%	

Fluor earns a fee on this portion of backlog which will not ultimately be recorded as revenues.

Metals $ in thousands; in short tons except as noted

Years ended October 31,	1983	1982	1981	1980	1979	1978
Revenues	$429,000	$440,019	$108,839	*	*	*
Operating Profit	$ 32,664	$ 46,203	$ 19,716	*	*	*
Manpower	8,000	8,232	8,045	7,462	7,269	8,032
International Operations						
Lead Content of Concentrates Sold	35,576	40,184	32,933	32,570	32,527	27,355
Zinc Content of Concentrates Sold	52,140	62,819	52,554	66,369	48,951	25,839
Copper Content of Products Sold	27,104	12,509	2,503	2,171	—	—
Gold Content of Products Sold (Troy Ounces)	361,588	368,081	171,023	130,586	14,028	—
Silver Content of Products Sold (Troy Ounces)	2,732,631	2,677,057	1,819,314	2,014,737	1,649,539	1,416,707
Domestic Operations						
Lead Content of Concentrates Produced	215,984	207,776	168,317	239,171	244,923	249,480
Lead Metal Sold	220,823	205,573	170,638	199,573	237,299	250,642
Zinc Content of Concentrates Produced	87,315	77,947	59,592	58,162	22,386	59,406
Zinc Metal Equivalent Sold	100,459	75,207	46,212	50,172	173,970	190,288
Iron Pellets Sold (Gross Tons)	672,341	786,354	970,682	780,041	230,135	206,956
Silver Content of Products Sold (Troy Ounces)	609,658	702,359	751,459	930,992	441,908	589,628
Gold Content of Products Sold (Troy Ounces)**	7,199	—	—	—	—	—

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

**Represents 66⅔% ownership.

Coal $ in thousands; in thousands of short tons

Years ended October 31,	1983	1982	1981	1980	1979	1978
Revenues	$437,455	$446,883	$130,974	*	*	*
Operating Profit (loss)	$ (6,824)	$ 2,624	$ 9,155	*	*	*
Manpower	5,145	5,959	5,432	4,880	4,386	4,527
Steam Coal Produced	7,102	6,873	5,269	5,163	4,447	2,408
Metallurgical Coal Produced	2,084	2,155	1,787	1,826	1,918	1,424
Produced Coal Sold	9,192	8,837	7,054	7,010	6,330	3,772
Purchased Coal Sold	1,461	1,741	3,869	3,945	2,616	1,972

Represents 50% of Massey's operations for all periods presented, except manpower which is 100%.
*Financial data for St. Joe Minerals Corporation are included from the date of acquisition, August 3, 1981. Other information for St. Joe for periods prior to August 3, 1981 is shown for comparative purposes only.

Oil and Gas in thousands, except manpower

Years ended October 31,	1983	1982	1981	1980	1979	1978
Revenues	$135,785	$225,816	$99,379	$67,483	$37,335	$34,077
Operating Profit	$ 15,659	$ 69,651	$34,342	$34,483	$20,186	$17,190
Manpower	92	274	263	190	159	147
Oil Sold, Barrels	4,347	4,932	3,586	2,357	2,053	2,082
Gas Sold, Mcf	12,013	26,451	23,625	23,605	19,329	17,791
Net Proved Reserves of Oil, Barrels	26,984	30,669	34,295	28,171	28,623	21,080
Net Proved Reserves of Gas, Mcf	158,040	163,879	197,790	164,575	169,338	118,180

Drilling $ in thousands

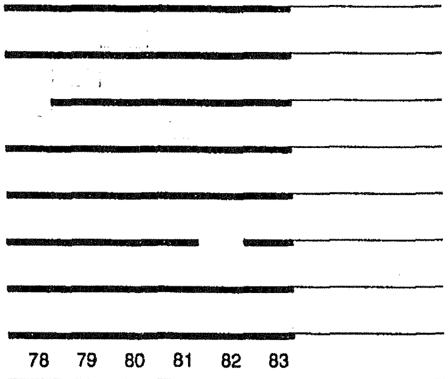
Years ended October 31,	1983	1982	1981	1980	1979	1978
Revenues	$ 85,682	$127,499	$109,203	$ 85,374	$73,161	$49,247
Operating Profit	4,132	60,400	39,687	[illegible]5,197	11,991	4,003
New Orders	35,571	7,986	147,185	2[illegible]3,602	83,454	78,592
Backlog	$ 59,015	$114,073	$219,456	$176,791	$56,187	$44,937
Average Rig Utilization Rate	56%	89%	96%	98%	89%	79%
Manpower	581	756	731	670	650	639

Other* $ in thousands

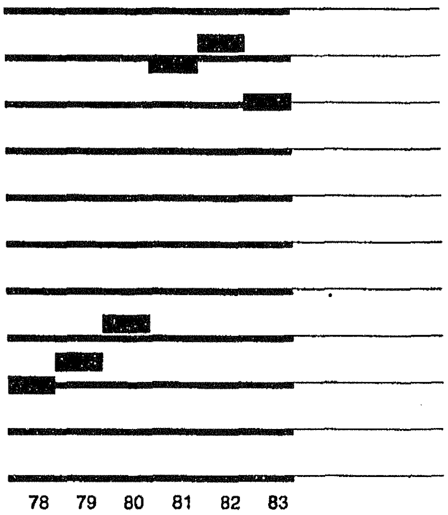
Years ended October 31,	1983	1982	1981	1980	1979	1978
Revenues	$107,358	$115,611	$ 97,007	$ 64,343	$50,792	$52,940
Operating Profit	$ 17,422	$ 20,788	$ 1,903	$ 7,618	$10,068	$10,518
Manpower	1,307	1,285	1,514	1,029	1,212	1,235

*Includes all intercompany eliminations

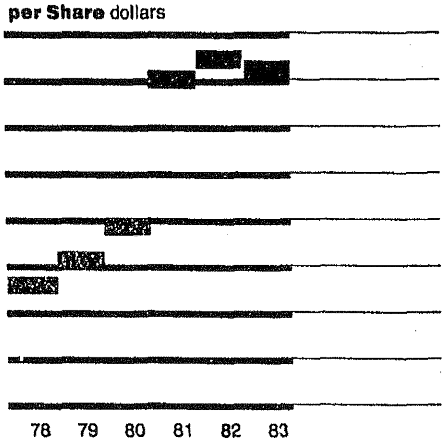
AA: Return on Shareholders' Equity percent



BB: Total Assets $ in billions



CC: Shareholders' Equity per Share dollars



FINANCIAL CONTENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS

Consolidated net earnings in 1983 were $28 million compared to $153 million in 1982 and $159 million in 1981. Earnings per share were $.35, $1.94 and $2.82, respectively. These amounts reflect the continuing impact of the worldwide slowdown in the engineering and natural resource related industries and the impact of strategic divestitures in 1983.

During the fourth quarter of 1983, the company adopted a plan to dispose of the Distribution Group. The results of operations of this Group have been reflected as discontinued operations in the earnings statements for all periods presented. Earnings for the Distribution Group declined from $15 million in 1981 to losses of $8 million and $27 million in 1982 and 1983, respectively. This was caused principally by severely depressed prices due to an oversupply of tubular goods as well as the general effects of reduced economic activity on energy, industrial and agricultural markets. Consolidated net earnings for 1983 reflects a reserve of $26 million for expected losses from disposal of the Group.

Revenues from continuing operations declined 21 percent in 1983 compared to 1982 after an increase of 26 percent over 1981. Both earnings and earnings per share from continuing operations declined by 50 percent in 1983 compared to 1982. Revenues and earnings in 1983 were adversely affected by the worldwide recession. The increase in 1982 revenues reflects the contribution of St. Joe Minerals Corporation acquired in August 1981 and a record year for the Engineering and Construction Group. Earnings in 1982 had increased 12 percent over 1981, while earnings per share declined for the period because of the dilutive impact of the 30 million additional shares issued in August 1981 for the acquisition of St. Joe as well as increased interest expense on higher levels of debt assumed and issued in the acquisition. St. Joe's operations were included on a 45 percent equity basis for the third quarter of 1981 and consolidated thereafter.

Included in 1983 earnings from continuing operations before income taxes are several significant items including a $33 million write-down of certain foreign oil and gas properties, foreign exchange gains of $24 million, a $10 million gain on settlement of a terminated sales contract and an $11 million write-off of three obsolete offshore contract drilling rigs. Equity in earnings and a gain on the sale of the company's 10 percent interest in Peabody Holding Company totalling $18 million was also included.

Total interest expense for 1983, including interest capitalized, declined from $178 million in 1982 to $130 million in 1983 reflecting a net decrease in outstanding debt and lower interest rates. Decreased interest rates also contributed to lower interest income and capitalized interest. Reduced qualifying capital expenditures also affected capitalized interest, which decreased $15 million in 1983 compared to 1982.

Corporate administrative and general expenses were reduced 12 percent in 1983 compared to a 27 percent increase in 1982 over 1981. The decrease in 1983 is due primarily to a reduction in manpower, lower consulting fees and reduced travel related expenses.

The company's effective income tax rate increased from 47 percent in 1982 to 53 percent in 1983 primarily due to the increase in non-deductible foreign oil and gas property write-downs offset in part by increased foreign earnings on which residual U.S. taxes are not provided.

Due to the loss from discontinued operations and reduced earnings from continuing operations, return on shareholders' equity was only 1.6 percent in 1983 compared to 8.8 percent in 1982.

ENGINEERING AND CONSTRUCTION

Over the last three years, low oil and gas demand and resultant prices, high interest rates and a worldwide recession have caused a major downturn in engineering and construction industry contract awards. New awards declined from $2.9 billion in 1982 to $1.2 billion in 1983 while backlog decreased from $10.7 billion to $5.6 billion. This trend is reflected in the decline in revenues in 1983 of 24 percent from 1982 after an increase of 12 percent from 1981, while 1983 operating profit declined only 8 percent from 1982. These results of operations generally reflect a change in the mix of contracts and their stages of completion.

ST. JOE MINERALS CORPORATION

In comparing St. Joe's first two full years as a Fluor subsidiary, revenues from coal and metals operations remained level while operating profit declined 47 percent as a result of severely depressed commodity prices. Metals operations accounted for $429 million in revenues and $33 million in operating profit in 1983 compared to revenues and operating profit in 1982 of $440 million and $46 million,

MANAGEMENT'S DISCUSSION AND ANALYSIS
continued

respectively. Tighter control of costs did not fully offset the continued depressed market prices for lead, zinc and iron pellets. Higher gold prices, increased sales volumes and foreign exchange gains, resulting primarily from retirement of debt at preferential exchange rates, partially offset the effect of lower prices on other commodities. Revenues and operating losses from coal operations in 1983 were $438 million and $7 million, respectively, compared to $447 million in revenues and an operating profit of $3 million in 1982. Slightly higher sales volumes in 1983 did not offset the continued weakness in coal prices.

Expenditures for exploration activities totalled $20 million in 1983 compared to St. Joe's record level of $32 million in 1982.

OIL AND GAS

The decline in revenues for the Oil and Gas Group from $226 million in 1982 to $136 million in 1983 and the decline in operating profit for this period from $70 million to $16 million reflect lower sales volumes and prices of both oil and gas. The decline in revenues in 1983 also reflects the result of the sale of the producing oil and gas properties of Coquina Oil Corporation in November 1982 and the remaining Coquina properties later in 1983. Operating profit in 1983 reflects a $33 million write-down of certain foreign oil and gas properties.

Increases in revenues and operating profit of 127 percent and 103 percent, respectively, in 1982 over 1981 reflects inclusion of St. Joe Petroleum and Coquina for a full year in 1982 compared to only three months in 1981. The Prinos Oil Field offshore Greece, in which the company owns a 14 percent interest, became operational in January 1982 and reached its planned production of 25,000 barrels per day by mid-year.

The company has announced that several foreign oil and gas properties of St. Joe Petroleum will be sold early in 1984 for approximately $66 million.

DRILLING SERVICES

Revenues from contract drilling services decreased to $86 million in 1983 from $128 million and $109 million in 1982 and 1981, respectively. Operating profit was $4 million, $60 million and $40 million in 1983, 1982 and 1981, respectively.

The decrease in operating profit reflects an $11 million write-off of three obsolete drilling rigs, severely depressed day rates and lower rig utilization. The decline in utilization rates to 71 percent in 1983, excluding the three obsolete rigs, from 89 percent in 1982 and 96 percent in 1981, resulted from an oversupply of offshore rigs and a worldwide reduction in drilling activity.

FINANCIAL POSITION AND LIQUIDITY

Working capital increased $3 million during 1983 while the current ratio increased to 1.1 from 1.0 at October 31, 1982. Included in current assets at October 31, 1983 is the net realizable value of the assets of the Distribution Group, which will be disposed of early in 1984.

Major sources of working capital include $332 million from operations, $221 million from various asset dispositions, proceeds from issuance of long-term debt of $82 million and collection of notes receivable of $48 million. Working capital was used to reduce long-term debt by $375 million, for capital expenditures of $302 million and to pay cash dividends of $63 million.

The most significant reductions in long-term debt include repayments of debt secured by the El Indio mining complex in Chile and amounts outstanding under the company's commercial paper program.

The net reduction of $293 million in long-term debt during 1983 resulted in a year-end long-term debt to total capitalization ratio of 29.2 percent compared to 36.2 percent at October 31, 1982 and 39.6 percent at October 31, 1981 following the acquisition of St. Joe.

Capital expenditures totalled $302 million in 1983 compared to $526 million in 1982, including $31 million and $46 million in interest capitalized in 1983 and 1982, respectively. Projects completed during 1983 include two coal export facilities, in Newport News and Charleston, and office facilities in Greenville, South Carolina. Other projects include development of the Bixby lead mining operation, expansion of the Viburnum mill to handle ore from the Bixby mining complex, development of mining projects in Brazil and office facilities in Houston, Texas. Included in capital expenditures of the Oil and Gas Group are purchases of partial interests in 76 offshore blocks offered in three Gulf Coast offshore lease sales. Fiscal 1983 capital expenditures were funded through internal cash resources, receipt of $25 million from notes receivable and specific project financings.

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

SELECTED FINANCIAL DATA

$ in millions, except per share amounts

	1983	1982	1981	1980	1979	1978
Operating Results						
Revenues from continuing operations	$5,300.5	$ 6,740.6	$ 5,357.6	$ 4,347.0	$ 3,273.6	$ 2,675.2
Earnings from continuing operations before income taxes	171.8	301.4	265.1	231.8	171.2	136.5
Earnings from continuing operations	80.7	161.0	144.0	124.2	92.5	70.9
Net earnings	27.7	152.8	158.9	133.6	100.3	79.2
Earnings per share						
Continuing operations	1.02	2.05	2.56	2.57	1.88	1.40
Net earnings	.35	1.94	2.82	2.76	2.04	1.56
Dividends per share						
Series B preferred	—	—	—	.75	3.00	3.00
Common	$ .80	$ .80	$ .80	$ .65	$ .49	$ .40
Financial Position						
Current assets	$1,146.0	$ 1,541.4	$ 1,460.9	$ 956.2	$ 674.9	$ 546.3
Current liabilities	1,090.2	1,488.4	1,296.1	775.2	538.6	507.0
Working capital	55.8	53.0	164.8	181.0	136.3	39.3
Property, plant and equipment, net	2,379.8	2,493.9	2,527.0	622.7	476.4	427.6
Total assets	4,084.9	4,701.0	4,491.3	1,726.6	1,283.8	1,107.7
Capitalization						
Long-term debt	720.0	1,009.9	1,104.8	79.3	59.1	16.6
Shareholders' equity	1,747.2	1,776.4	1,683.2	567.5	460.8	430.2
Total capitalization	$2,467.2	$ 2,786.3	$ 2,788.0	$ 646.8	$ 519.9	$ 446.8
Percent of total capitalization						
Long-term debt	29.2	36.2	39.6	12.3	11.4	3.7
Shareholders' equity	70.8	63.8	60.4	87.7	88.6	96.3
Shareholders' equity per common share	$ 22.19	$ 22.68	$ 21.55	$ 11.89	$ 9.70	$ 8.12
Common shares outstanding	78,746,717	78,327,685	78,092,814	47,718,300	46,597,646	47,065,464
Other Data						
New orders received during year	$1,280.1	$ 2,916.8	$ 7,247.7	$ 9,317.3	$ 5,960.2	$ 3,356.8
Backlog at end of year	5,669.7	10,825.9	16,385.7	16,094.3	12,191.7	11,562.9
Capital expenditures	301.8	525.9	448.1	225.3	99.7	101.1
Depreciation, depletion and amortization for continuing operations	233.7	215.0	94.0	49.4	45.3	35.8
Working capital provided from operations	$ 332.5	$ 377.1	$ 274.4	$ 258.5	$ 222.0	$ 151.8
Number of employees	34,123	43,111	44,170	27,304	23,506	21,693

During the fourth quarter of 1983 the company adopted a plan to dispose of the Distribution Group; accordingly, prior periods have been restated to exclude the Group from continuing operations. St. Joe Minerals Corporation is included on an equity basis for the period May 1, 1981, through August 2, 1981, and on a consolidated basis thereafter.

MANAGEMENT'S REPORT AND AUDITORS' OPINION

Management's Report

The accompanying consolidated balance sheet and the related consolidated statements of earnings, shareholders' equity and changes in financial position have been prepared in conformity with generally accepted accounting principles, and we believe that they present fairly the company's financial position and results of operations. The integrity of the information presented in the financial statements, including estimates and judgments relating to matters not concluded by fiscal year end, is the responsibility of management. To fulfill this responsibility, a system of internal controls, designed to protect the company's assets and properly record transactions and events as they take place, has been developed and maintained. The system of internal controls is supported by an extensive program of internal audits.

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

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

George W. Mefferd
Group Vice President and
Chief Financial Officer

Richard D. Paul
Vice President and Controller

Auditors' Opinion

Board of Directors and Shareholders
Fluor Corporation

We have examined the accompanying consolidated balance sheet of Fluor Corporation at October 31, 1983 and 1982, and the related consolidated statements of earnings, shareholders' equity and changes in financial position for each of the three years in the period ended October 31, 1983. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. In 1983 the accounts of Massey Coal Company, a 50% owned joint venture, and in 1982 and 1981 certain assets and operations of St. Joe Minerals Corporation, a consolidated subsidiary, were examined by other independent auditors; insofar as our opinion on the consolidated financial statements relates to such assets and operations, which constituted 13% and 8% in 1983, 34% and 14% in 1982 and 34% and 4% in 1981 of consolidated assets and revenues, respectively, it is based solely on their reports.

In our opinion, based on our examinations and the reports of other independent auditors, the accompanying consolidated financial statements present fairly the consolidated financial position of Fluor Corporation at October 31, 1983 and 1982, and the consolidated results of operations and changes in financial position for each of the three years in the period ended October 31, 1983, in conformity with generally accepted accounting principles applied on a consistent basis during the period.

Arthur Young & Company

Orange County, California
December 9, 1983

CONSOLIDATED STATEMENT OF EARNINGS

In thousands, except per share amounts

Years ended October 31,	1983	1982	1981
Revenues			
Engineering and construction services	$4,104,454	$5,383,755	$4,805,741
Natural resources	1,002,240	1,116,541	339,192
Drilling and other	193,758	240,255	212,660
Total revenues	5,300,452	6,740,551	5,357,593
Cost of Revenues			
Engineering and construction services	3,890,531	5,158,087	4,576,389
Natural resources	955,652	1,000,788	275,966
Drilling and other	171,594	146,391	166,662
Total cost of revenues	5,017,777	6,305,266	5,019,017
Other Income and Expense			
Corporate administrative and general expense	47,200	53,738	42,464
Interest expense (net of capitalized interest of $30,877, $45,808 and $35,904, respectively)	98,718	131,829	73,715
Interest income	(35,043)	(51,705)	(42,691)
Total costs and expenses	5,128,652	6,439,128	5,092,505
Earnings from Continuing Operations Before Income Taxes	171,800	301,423	265,088
Income Taxes	91,100	140,447	121,105
Earnings from Continuing Operations	80,700	160,976	143,983
Discontinued Operations			
Earnings (loss) from operations of discontinued Distribution Group (net of income tax benefit (expense) of $22,952, $8,067, and $(10,457), respectively)	(27,000)	(8,177)	14,923
Loss on disposal of Distribution Group, including provision for estimated operating losses during phase-out period (net of income tax benefit of $15,538)	(26,000)	—	—
Earnings (Loss) from Discontinued Operations	(53,000)	(8,177)	14,923
Net Earnings	$ 27,700	$ 152,799	$ 158,906
Earnings Per Share			
Continuing operations	$ 1.02	$ 2.05	$ 2.56
Net earnings	$ .35	$ 1.94	$ 2.82
Shares Used to Calculate Earnings per Share	78,956	78,589	56,272

See Notes to Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEET
$ in thousands

October 31,	1983	1982
Assets		
Current Assets		
Cash and short-term investments	$ 145,713	$ 80,932
Accounts and notes receivable	421,642	584,014
Contract work in progress	238,436	309,960
Inventories	159,052	331,074
Net assets held for sale	127,103	167,900
Other current assets	54,057	67,520
Total current assets	1,146,003	1,541,400
Property, Plant and Equipment—at cost		
Land	64,382	90,059
Buildings and improvements	341,584	332,816
Machinery and equipment	788,330	763,882
Drilling and marine equipment	217,575	239,704
Mining properties and mineral rights	789,027	781,775
Oil and gas properties	615,469	578,223
Construction in progress	136,635	165,741
	2,953,002	2,952,200
Less accumulated depreciation, depletion and amortization	573,169	458,316
Net property, plant and equipment	2,379,833	2,493,884
Other Assets		
Excess of cost over net assets of acquired companies, net of accumulated amortization of $38,649 and $26,809, respectively	434,337	446,736
Other	124,747	218,970
Total other assets	559,084	665,706
	$4,084,920	$4,700,990

See Notes to Consolidated Financial Statements.

	1983	1982
Liabilities and Shareholders' Equity		
Current Liabilities		
Notes payable	$ 63,560	$ 56,281
Accounts payable	291,958	356,365
Advance billings on contracts	143,449	225,907
Accrued salaries and wages	74,277	96,516
Accrued benefit plan liabilities	73,024	97,816
Other accrued liabilities	143,692	156,559
Current portion of long-term debt	55,610	49,074
Commercial paper	—	161,533
Income taxes currently payable	101,384	106,324
Deferred income taxes	143,201	182,061
Total current liabilities	1,090,155	1,488,436
Long-Term Debt Due After One Year	720,007	1,009,858
Other Noncurrent Liabilities		
Deferred income taxes	307,276	262,061
Other	220,233	164,216
Total other noncurrent liabilities	527,509	426,277
Contingencies and Commitments		
Shareholders' Equity		
Capital Stock		
Preferred—authorized 20,000,000 shares without par value, none issued		
Common—authorized 150,000,000 shares of $.62½ par value; issued and outstanding in 1983—78,746,717 shares and in 1982—78,327,685 shares	49,217	48,955
Additional capital	1,065,431	1,059,480
Retained earnings	645,117	680,285
Unamortized executive stock plan expense	(12,516)	(12,301)
Total shareholders' equity	1,747,249	1,776,419
	$4,084,920	$4,700,990

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

$ in thousands

Years ended October 31,	1983	1982	1981
Sources of Working Capital			
Earnings from continuing operations	$ 80,700	$ 160,976	$ 143,983
Charges (credits) to earnings from continuing operations not affecting working capital			
Depreciation, depletion and amortization	233,714	214,988	93,970
Increase (decrease) in noncurrent deferred income taxes	52,647	5,776	(5,311)
Other, net	18,280	(7,871)	14,719
Working capital provided from continuing operations	385,341	373,869	247,361
Earnings (loss) from discontinued operations	(53,000)	(8,177)	14,923
Charges (credits) to earnings from discontinued operations not affecting working capital			
Depreciation and amortization	5,676	10,154	9,196
Increase (decrease) in noncurrent deferred income taxes	(5,532)	1,275	2,957
Working capital provided (used) by discontinued operations	(52,856)	3,252	27,076
Working capital provided from operations	332,485	377,121	274,437
Issuance of long-term debt	82,167	838,026	1,225,705
Net book value of property, plant and equipment sold or retired	151,770	51,161	55,320
Reclassification to net assets held for sale	29,825	150,917	—
Sale of investment in Peabody Holding Company	44,787	—	—
Decrease in noncurrent notes receivable	47,527	53,407	5,528
Issuance of stock-acquisition of St. Joe Minerals Corporation	—	—	996,923
Other, net	54,148	(19,027)	(37,867)
	742,709	1,451,605	2,520,046
Applications of Working Capital			
Reduction of long-term debt	375,122	932,902	446,914
Additions to property, plant and equipment	301,835	525,932	448,143
Cash dividends paid	62,868	62,581	44,313
Acquisition of St. Joe Minerals Corporation	—	42,051	1,596,842
	739,825	1,563,466	2,536,212
Increase (Decrease) in Working Capital	$ 2,884	$ (111,861)	$ (16,166)
Changes in Components of Working Capital			
Cash and short-term investments	$ 64,781	$ (105,658)	$ (30,036)
Accounts and notes receivable	(162,372)	45,725	296,499
Contract work in progress	(71,524)	(55,639)	28,664
Inventories	(172,023)	24,743	177,760
Net assets held for sale	(40,797)	167,900	—
Other current assets	(13,462)	3,404	31,879
Notes payable	(7,279)	(24,283)	(24,331)
Accounts payable	64,407	76,989	(178,551)
Advance billings on contracts	82,458	(2,450)	5,702
Accrued liabilities	59,898	(49,314)	(105,520)
Current portion of long-term debt	(6,536)	3,540	(18,982)
Commercial paper	161,533	(161,533)	—
Income taxes currently payable	4,940	8,735	(95,973)
Deferred income taxes	38,860	(44,020)	(103,277)
Increase (Decrease) in Working Capital	$ 2,884	$ (111,861)	$ (16,166)

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

$ in thousands, except per share amounts

Years ended October 31, 1981, 1982 and 1983

	Common Stock	Additional Capital	Retained Earnings	Unamortized Executive Stock Plan Expense	Total
Balances at November 1, 1980	$29,824	$ 72,007	$475,474	$ (9,848)	$ 567,457
Net earnings			158,906		158,906
Cash dividends ($.80 per share)			(44,313)		(44,313)
Exercise of stock options—net	96	2,305			2,401
Amortization of executive stock plan expense				1,821	1,821
Issuance of restricted stock—net	78	4,443		(4,517)	4
Issuance of stock—acquisition of St. Joe Minerals Corporation	18,810	978,113			996,923
Balances at October 31, 1981	48,808	1,056,868	590,067	(12,544)	1,683,199
Net earnings			152,799		152,799
Cash dividends ($.80 per share)			(62,581)		(62,581)
Exercise of stock options—net	84	862			946
Amortization of executive stock plan expense				2,058	2,058
Issuance of restricted stock—net	63	1,750		(1,815)	(2)
Balances at October 31, 1982	48,955	1,059,480	680,285	(12,301)	1,776,419
Net earnings			27,700		27,700
Cash dividends ($.80 per share)			(62,868)		(62,868)
Exercise of stock options—net	173	2,980			3,153
Amortization of executive stock plan expense				3,021	3,021
Issuance of restricted stock—net	89	2,971		(3,236)	(176)
Balances at October 31, 1983	$49,217	$1,065,431	$645,117	$(12,516)	$1,747,249

See Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MAJOR ACCOUNTING POLICIES

Principles of Consolidation

The financial statements include the accounts of the company and its subsidiaries. The equity method of accounting is used for investments where ownership ranges from 20 percent to 50 percent and for corporate joint ventures. The company consolidates its 50 percent proportionate share of the accounts of Massey Coal Company. All significant intercompany transactions are eliminated.

Certain 1982 and 1981 amounts have been reclassified to conform with the 1983 presentation.

Engineering and Construction Contracts

The company recognizes revenues on engineering and construction contracts on the percentage-of-completion method, primarily based on contract costs incurred to date compared with total estimated contract costs, and on manhours incurred to date compared with total estimated manhours for the construction of certain power plants. Changes to total estimated contract costs or manhours and losses, if any, are recognized in the period they are determined. Revenues recognized in excess of amounts billed are classified as current assets under contract work in progress. It is anticipated that incurred costs associated with contract work in progress at October 31, 1983, will be billed and collected in 1984. Amounts received from clients in excess of revenues recognized to date are classified as current liabilities under advance billings on contracts.

Exploration and Development

Oil and Gas—The company accounts for its oil and gas operations under the full cost method of accounting.

Depreciation, depletion and amortization of oil and gas properties are provided on the unit-of-production method based upon proved reserves.

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

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

Other Depreciation and Amortization

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

Income Taxes

Deferred income taxes are provided for items taken into account in different periods for financial and tax reporting purposes. Such taxes relate primarily to the use of the completed-contract method of accounting for U.S. income tax reporting, whereas the percentage-of-completion method is used for financial reporting purposes, and to capitalized interest and depreciation, depletion and amortization. That portion of deferred income taxes relating to engineering and construction contracts estimated to be completed after one year from the date of the balance sheet is classified as long-term.

The Tax Equity and Fiscal Responsibility Act of 1982 ("TEFRA") contains provisions modifying completed contract tax accounting. TEFRA will require deferral of employee benefit and certain administrative costs associated with contracts which will not be completed within three years. These provisions will be phased in through fiscal year 1986.

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

Earnings Per Share

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

Foreign Currency Translation

The accounts of foreign subsidiaries are translated into U.S. dollars in accordance with Statement of Financial Accounting Standards No. 8. Therefore, foreign currency translation gains or losses are included in earnings in the period in which they occur. Foreign currency exchange gains approximated $24,000,000 in 1983 and $7,000,000 in 1982. Commencing in 1984, the company will change its method of accounting for foreign currency translation to be in conformity with Statement of Financial Accounting Standards No. 52. While the effects of this accounting change on the company's financial position and results of operations would not have been material in 1983, the future effects are not determinable.

DISCONTINUED OPERATIONS

During the fourth quarter of 1983, the company adopted a plan to dispose of the Distribution Group through sale or liquidation. Negotiations for the sale of two of the companies are currently being conducted with the respective management groups. At October 31, 1983, the net assets of discontinued operations, consisting primarily of inventories, trade receivables and warehouse facilities have been reclassified as current assets at estimated net realizable value.

Revenues from discontinued operations, including the Goldston Transportation Group which was sold in 1983, were $368,551,000, $604,573,000 and $721,596,000 for 1983, 1982 and 1981, respectively. Included in the loss on disposal is a pretax provision of $2,115,000 for estimated operating losses during the phase-out period.

ACQUISITION OF ST. JOE MINERALS CORPORATION

During 1981 the company acquired all outstanding shares of St. Joe Minerals Corporation (St. Joe) common stock for an aggregate purchase price of $2,230,208,000. The company's 45 percent investment in St. Joe for the three-month period preceding consummation of the merger on August 3, 1981 was accounted for using the equity method.

The allocation of the purchase price to assets acquired and liabilities assumed was completed in 1982 and is summarized (net of acquired working capital) as follows:

$ in thousands

Assets acquired:	
Property, plant and equipment	$1,465,989
Other noncurrent assets	135,546
Excess of cost over net assets acquired	377,956
Liabilities assumed:	
Long-term debt	(249,136)
Other noncurrent liabilities	(91,462)
	$1,638,893

The company's unaudited pro forma results of operations for 1981 assuming St. Joe had been acquired at the beginning of 1981, after giving effect to acquisition related adjustments, are as follows: revenues, $5,973,117,000; net earnings, $147,946,000; and earnings per share, $1.88.

Pro forma earnings, prepared as required by generally accepted accounting principles, are provided for comparative purposes and are not necessarily indicative of actual results that would have been achieved had the merger been consummated at the beginning of 1981.

INVENTORIES

Inventories comprise the following:

$ in thousands

October 31,	1983	1982
Coal, metals and processed minerals	$ 67,787	$ 67,609
Supplies and other	91,265	95,180
Distribution Group inventories	—	168,285
	$159,052	$331,074

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

The current replacement cost of LIFO inventories at October 31, 1983 and 1982 exceeded the related LIFO value by $2,530,000 and $28,136,000, respectively.

Inventories of the Distribution Group have been included in net assets held for sale at October 31, 1983.

RETIREMENT PLANS

The company and certain of its subsidiaries have contributory and noncontributory profit-sharing and pension plans covering substantially all of their employees. Expense for these plans, including amortization of prior service costs over 10 to 40 years, was $78,869,000 in 1983, $102,338,000 in 1982 and $73,828,000 in 1981.

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

$ in thousands

November 1,	1982	1981
Actuarial present value of accumulated plan benefits:		
Vested	$103,479	$ 91,632
Nonvested	10,208	8,874
	$113,687	$100,506
Net assets available for benefits	$123,364	$100,300

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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LONG-TERM DEBT

Long-term debt at October 31 consisted of the following:

$ in thousands	1983	1982
Pollution control and industrial revenue bonds, 7% to 8.9%, due in varying amounts from 1988 through 2013 (net of unamortized discount of $8,601 and $8,970, respectively)	$112,159	$ 108,217
Promissory note, effective interest rate 15.6%, due in installments from 1985 through 1987	100,000	100,000
Eurodollar notes, 14% coupon rate, effective interest rate 13.5%, due in 1989	100,000	100,000
Secured credit agreement, 1⅛% above LIBOR, due in installments through 1986	63,750	85,000
Serial zero coupon notes, effective interest rate 14.3%, due in installments through 1989 (net of unamortized discount of $38,768 and $46,139, respectively)	53,732	53,861
Term loan, effective interest rate 11.7%, due in 1988 (net of unamortized discount of $3,157 in 1982)	50,000	46,843
Eurodollar notes, 13¼% coupon rate, effective interest rate 13%, due in 1984 (net of unamortized discount of $54 and $100, respectively)	49,946	49,900
Notes, effective interest rate 12¼%, due in installments from 1987 through 1998 (net of unamortized discount of $11,282 and $11,975, respectively)	48,718	48,025
Commercial paper and promissory notes, average interest rate 9.0% at October 31, 1983	41,974	134,067
Term loans, 10%, due in installments through 1987	28,527	30,802
Notes, ½% to 1½% above LIBOR, due in installments through 1986	28,524	65,187
Revolving credit agreements, due in 1987	20,000	100,000
Export credit agreement, 10⅛%, due in installments through 1990	14,608	16,695
Revolving credit agreements	—	50,000
Other notes and mortgages	63,679	70,335
	775,617	1,058,932
Less: Current portion	55,610	49,074
	$720,007	$1,009,858

Maturities relating to long-term debt are as follows for the years ending October 31: 1985, $83,778,000; 1986, $84,526,000; 1987, $97,761,000; and 1988, $73,376,000.

Maturities of commercial paper are based on maximum terms of committed credit lines.

The company has committed long-term lines of credit with banks from which it may borrow up to a maximum of $315,000,000 under three- and four-year revolving lines of credit which convert to four-year term loans. The company may use these lines of credit to support commercial paper borrowings and unsecured promissory notes. Commitment fees of ¼ percent are paid on unused portions of the company's long-term lines of credit. At October 31, 1983, no amounts were outstanding under these lines.

Borrowings under lines of credit and revolving credit agreements bear interest at prime, rates based on the London Interbank Offered Rate (LIBOR), domestic certificates of deposit, or other rates which are mutually acceptable to the banks and the company.

At October 31, 1983, the company has $161,000,000 in unused short-term uncommitted lines of credit.

Pollution control bonds of $36,814,000 are subject to optional redemption with mandatory redemption in 1989. $72,245,000 of the industrial revenue bonds represent the company's portion of such bonds issued for facilities of Massey Coal Company. All of the industrial revenue bonds are subject to mandatory redemption if certain tax exemption features of the bonds are disallowed.

Approximately $20,524,000 of LIBOR notes are outstanding under an agreement entered into for the purpose of financing a majority of capital costs of an oil and gas field development project offshore Greece. An additional $23,263,000 of the loan is secured solely by the revenues from the project and has become nonrecourse to the company as a result of certain completion and production criteria being met during 1983. Accordingly, $15,949,000 has been included in other noncurrent liabilities and $7,314,000 in other accrued liabilities at October 31, 1983.

The 13¼ percent Eurodollar notes were issued during 1982 together with warrants for the purchase of zero coupon debentures with a face value of $150,000,000 which mature March 31, 1990. Such warrants are exercisable at any time through September 30, 1984 at a price which provides an effective yield of 14 percent.

The net book value of assets securing long-term debt of $158,000,000 was approximately $347,000,000 at October 31, 1983.

INCOME TAXES

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

$ in thousands	1983	1982	1981
Current			
Federal	$ (4,586)	$ 48,493	$ (9,004)
Foreign	63,654	36,822	27,509
State and local	6,326	4,479	4,961
Total current	65,394	89,794	23,466
Deferred			
Federal	10,258	43,069	91,316
Foreign	14,152	5,003	5,118
State and local	1,296	2,581	1,205
Total deferred	25,706	50,653	97,639
	$91,100	$140,447	$121,105

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

$ in thousands	1983	%	1982	%	1981	%
Statutory federal income tax expense	$79,028	46.0	$138,655	46.0	$121,940	46.0
Increases (reductions) in taxes resulting from:						
Losses without tax benefit	18,064	10.4	8,507	2.8	7,385	2.8
Amortization of property, plant and equipment bases differences	10,170	5.9	7,779	2.6	3,789	1.4
Amortization of excess of cost over net assets of acquired companies	6,651	3.9	5,976	2.0	2,265	.8
Investment tax credit	(9,667)	(5.6)	(9,375)	(3.1)	(8,008)	(3.0)
Indefinitely reinvested foreign earnings	(9,469)	(5.5)	(1,748)	(.6)	(1,141)	(.4)
Other—net	(3,677)	(2.1)	(9,347)	(3.1)	(5,125)	(1.9)
	$91,100	53.0	$140,447	46.6	$121,105	45.7

The difference between the statutory federal income tax rate and the actual tax rates applicable to discontinued operations is primarily attributable to capital gains rates in 1983 and investment tax credits in 1982 and 1981.

Deferred income taxes have been provided for timing differences as follows:

$ in thousands	1983	1982	1981
Use of different methods of accounting for construction contracts	$ (22,517)	$ 16,194	$ 64,831
Deferred gains and losses from metal sales contracts	(5,253)	8,094	(1,110)
Depreciation, depletion and amortization of natural resource properties	23,451	14,228	9,247
Capitalized interest	14,203	16,367	11,682
Accelerated depreciation	8,104	7,981	4,500
Other—net	7,718	(12,211)	8,489
	$ 25,706	$ 50,653	$ 97,639

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

$ in thousands	1983	1982	1981
Domestic	$ 10,400	$157,848	$197,373
Foreign	161,400	143,575	67,715
	$171,800	$301,423	$265,088

Residual income taxes have not been provided on approximately $46,000,000 of undistributed earnings of foreign subsidiaries at October 31, 1983 because the company intends to reinvest these earnings indefinitely.

LEASE OBLIGATIONS

Total rental expense amounted to $66,518,000 in 1983, $70,171,000 in 1982 and $50,603,000 in 1981. The company's lease obligations relate primarily to office and warehouse space, land underlying engineering facilities, data processing equipment, equipment used in connection with long-term construction contracts and other personal property. Also included in lease obligations are amounts due under a 50 year lease entered into in 1983 for land underlying the company's new engineering facility in Houston, Texas. At October 31, 1983, noncancellable lease commitments for the Distribution Group amounted to $12,664,000.

The company was obligated at October 31, 1983 under other noncancellable leases for minimum rentals subsequent to 1983 as follows:

$ in thousands	
1984	$ 32,648
1985	28,370
1986	21,181
1987	16,996
1988	12,750
Thereafter	154,397
	$266,342

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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STOCK PLANS

The company has four executive stock option plans, the 1971 Fluor Stock Option Plan, the 1977 and 1981 Fluor Executive Stock Plans and the 1982 Fluor Incentive Stock Option Plan. These plans provide for grants of nonqualified or incentive options at prices equal to the fair market value of the company's common stock at date of grant.

The 1977 and 1981 Plans also provide for rights to acquire shares under restricted stock agreements at $.62½ per share under the 1977 Plan and at no charge under the 1981 Plan. Upon termination other than for reason of retirement, death or permanent disability of the recipient, the stock must be returned to the company for the amount originally paid, if any. At October 31, 1983, a total of 1,117,235 restricted shares had been awarded and a total of 168,015 shares were available for award as restricted stock.

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

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

In connection with the acquisition of St. Joe, the company assumed outstanding stock options granted under two St. Joe Plans. The assumed nonqualified and incentive options become exercisable in installments of twenty-five percent per year commencing one year from the date of grant at a price equal to the fair market value at the date of grant. With respect to grants under St. Joe's 1972 Plan, the optionee can elect to receive, in lieu of any or all shares, any combination of cash and shares having an aggregate value equal to the excess of market value of the underlying shares over the option price thereof. Assumed options granted under St. Joe's 1967 Plan expired on November 23, 1981 and assumed options granted under St. Joe's 1972 Plan expire ten years after date of grant.

The following table summarizes stock option and stock appreciation rights ("SAR") activity for the two years ended October 31, 1983:

	Shares	Price Per Share	SAR	Value Per Right
October 31, 1981				
Outstanding	2,628,221	$5–64	235,750	$18–37
Granted*	621,289	17–18	351,825	18
Expired or cancelled*	(458,026)	14–64	(211,800)	18–37
Exercised	(191,454)	5–18	—	—
October 31, 1982				
Outstanding	2,600,030	6–37	375,775	18–37
Granted*	209,313	10–22	138,740	18–22
Expired or cancelled*	(78,273)	6–37	(34,817)	18–37
Exercised	(437,728)	6–18	(5,021)	18
October 31, 1983				
Outstanding	2,293,342	6–37	474,677	18–37
Exercisable at:				
October 31, 1982	1,893,363	6–37	15,652	18–37
October 31, 1983	1,713,943	6–37	92,895	18–37
Available for grant at:				
October 31, 1982	2,298,478		669,925	
October 31, 1983	1,823,581		566,002	

*Includes 12,782 and 415,664 shares and 7,450 and 202,950 SARs cancelled in 1983 and 1982, respectively, at prices ranging from $26 to $64 per share and $26 to $36 per SAR, all of which were regranted at $18.

OPERATIONS BY BUSINESS SEGMENT AND GEOGRAPHIC AREA

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

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

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

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

Contracts with major customers accounted for $668,140,000 in 1983 and $632,224,000 in 1981 of the revenues of the engineering and construction segment. During 1982 no single customer accounted for more than 10 percent of revenues.

The distribution segment, which is being discontinued, included the subsidiaries engaged in the warehousing and distribution of specialty tubing and pipe, industrial and oil-field supplies, and truck leasing and sales. Revenues, operating profit and depreciation, depletion and amortization have been restated to exclude the amounts related to the distribution segment. See Discontinued Operations on page 33.

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

$ in millions Years ended October 31,	1983	1982	1981
Operating profit from continuing operations	$273.7	$428.2	$332.9
Minority interests	(17.0)	(9.6)	(4.8)
Interest—net	(63.7)	(80.1)	(31.0)
Equity in earnings and gain on sale of Peabody Holding Company	18.0	12.4	7.8
Corporate items	(39.2)	(49.5)	(39.8)
Earnings from continuing operations before income tax	$171.8	$301.4	$265.1

Operations by Business Segment

	Revenues			Operating Profit		
$ in millions	1983	1982	1981	1983	1982	1981
Engineering and Construction	$4,105.2	$5,384.7	$4,812.2	$210.7	$228.6	$228.0
Coal	437.5	446.9	131.0	(6.8)	2.6	9.2
Metals	429.0	440.0	108.8	32.6	46.2	19.7
Oil and Gas	135.8	225.8	99.4	15.7	69.7	34.3
Drilling Services	85.7	127.5	109.2	4.1	60.4	39.7
Other	108.0	116.6	103.5	17.0	20.5	3.3
Eliminations	(.7)	(.9)	(6.5)	.4	.2	(1.3)
Continuing Operations	$5,300.5	$6,740.6	$5,357.6	$273.7	$428.2	$332.9

	Identifiable Assets			Capital Expenditures			Depreciation, Depletion and Amortization		
$ in millions	1983	1982	1981	1983	1982	1981	1983	1982	1981
Engineering and Construction	$ 894.4	$1,023.1	$ 981.6	$ 97.1	$ 77.8	$138.0	$ 28.2	$ 28.7	$ 21.6
Coal	991.6	997.5	933.3	41.5	123.6	18.8	42.3	33.2	8.4
Metals	1,195.8	1,238.9	1,060.5	32.3	65.2	34.3	55.4	48.8	13.8
Oil and Gas	509.5	714.6	633.0	111.2	184.9	167.9	84.0	83.3	28.6
Drilling Services	181.5	206.3	155.7	5.3	45.8	25.7	12.9	9.6	8.5
Corporate and Other	185.0	211.9	378.6	12.9	19.7	31.6	10.9	11.4	13.1
Continuing Operations	3,957.8	4,392.3	4,142.7	300.3	517.0	416.3	233.7	215.0	94.0
Distribution	127.1	308.7	348.6	1.5	8.9	31.8	5.7	10.2	9.2
	$4,084.9	$4,701.0	$4,491.3	$301.8	$525.9	$448.1	$239.4	$225.2	$103.2

Operations by Geographic Area

	Revenues			Operating Profit			Identifiable Assets		
$ in millions	1983	1982	1981	1983	1982	1981	1983	1982	1981
United States	$3,467.1	$4,773.2	$3,467.9	$103.1	$270.8	$231.3	$3,183.3	$3,691.6	$3,579.4
Middle East	721.5	584.8	255.0	26.9	26.0	10.1	112.3	90.7	92.7
South America	256.9	395.7	386.8	84.1	86.9	19.0	375.4	461.0	429.2
Africa	192.4	398.9	677.7	17.1	21.3	37.8	57.2	69.4	19.0
Europe	181.8	192.6	273.9	13.2	(0.5)	11.8	239.4	273.4	242.1
Other	498.8	422.7	323.7	29.3	23.7	22.9	117.3	114.9	128.9
Interarea eliminations	(18.0)	(27.3)	(27.4)	—	—	—	—	—	—
	$5,300.5	$6,740.6	$5,357.6	$273.7	$428.2	$332.9	$4,084.9	$4,701.0	$4,491.3

St. Joe Minerals is included from date of acquisition, August 3, 1981. The Distribution Group's identifiable assets by geographic area are included in the United States.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
continued

OIL AND GAS OPERATIONS

The oil and gas operations of the company are accounted for under the full cost method of accounting.

Selected financial information relating to oil and gas operations for 1983, 1982 and 1981 follows:

($ in millions, except per equivalent barrel amounts)	Total	United States	United Kingdom	Argentina	Greece	Other Foreign
1983						
Capitalized costs at October 31						
Proved properties	$600.6	$326.2[b]	$ 67.7	$44.3	$ 93.4	$69.0
Unproved properties	14.9	—	—	—	—	14.9
Accumulated depletion, depreciation and amortization at October 31	(183.5)	(64.6)	(26.4)	(14.5)	(16.5)	(61.5)
Property acquisition costs[a]	52.5	51.3	0.1	—	—	1.1
Exploration costs[a]	40.4	19.3	1.0	—	1.4	18.7
Development costs[a]	16.9	6.8	1.0	0.4	2.6	6.1
Depletion, depreciation and amortization per equivalent barrel of oil produced	$ 7.78	$ 6.34	$15.89	$3.01	$10.14	N/A
1982						
Capitalized costs at October 31						
Proved properties	$551.8	$303.8	$ 65.6	$43.9	$ 89.4	$49.1
Unproved properties	26.4	—	—	—	—	26.4
Accumulated depletion, depreciation and amortization at October 31	(140.3)	(62.6)	(14.8)	(10.5)	(5.8)	(46.6)
Property acquisition costs[a]	52.0	47.8	—	—	—	4.2
Exploration costs[a]	64.3	43.7	1.2	—	1.9	17.5
Development costs[a]	66.0	53.3	1.9	0.5	6.4	3.9
Depletion, depreciation and amortization per equivalent barrel of oil produced	$ 7.81	$ 8.50	$10.06	$2.42	$ 6.59	N/A
1981						
Capitalized costs at October 31						
Proved properties	$608.3	$408.3	$ 34.3	$43.3	$ 77.6	$44.8
Unproved properties	18.1	—	—	—	—	18.1
Accumulated depletion, depreciation and amortization at October 31	(101.4)	(49.1)	(2.3)	(6.9)	—	(43.1)
Property acquisition costs[a]	51.1	40.6	—	8.3	—	2.2
Exploration costs[a]	33.5	25.7	1.7	—	—	6.1
Development costs[a]	68.4	19.0	0.6	11.8	33.9	3.1
Depletion, depreciation and amortization per equivalent barrel of oil produced	$ 4.58	$ 5.57	$ 5.96	$2.43	$ —	N/A

(a) Capitalized.

(b) Exploratory drilling will extend over several years on certain projects whose costs are not being amortized as of October 31, 1983. Costs excluded from amortization are as follows:

Costs incurred in the year ended October 31	Property Acquisition	Exploration	Capitalized Interest	Total
1983	$35.3	$5.7	$12.3	$ 53.3
1982	7.3	2.9	7.7	17.9
1981	28.1	0.9	4.9	33.9
Through 1980	21.4	—	—	21.4
	$92.1	$9.5	$24.9	$126.5

Estimated Proved Reserves of Oil and Gas unaudited
The following tables present the company's estimates of its proved oil and gas reserves. The company emphasizes that reserve estimates are inherently imprecise and that estimates of new discoveries are more imprecise than those of producing oil and gas properties. Accordingly, the estimates are expected to change as future information becomes available. Oil reserves, which include condensate and natural gas liquids, are stated in millions of barrels, and gas reserves are stated in billions of cubic feet. See Sale of Coquina and Sale of Foreign Oil and Gas Properties on page 43.

	Total		United States		United Kingdom	Argentina		Greece		Other Foreign	
	Oil	Gas	Oil	Gas	Oil	Oil	Gas	Oil	Gas	Oil	Gas
Balance, October 31, 1980	19.8	95.0	6.5	58.4	—	6.0	32.2	6.1	2.4	1.2	2.0
St. Joe reserves at date of acquisition	8.5	74.7	3.2	72.2	5.3	—	—	—	—	—	2.5
Revisions of previous estimates	1.7	17.0	—	(0.1)	—	1.1	18.4	(0.1)	—	0.7	(1.3)
Purchases of reserves-in-place	5.2	—	—	—	—	5.2	—	—	—	—	—
Extensions, discoveries and other additions	1.7	27.3	0.8	17.9	0.9	—	—	—	—	—	9.4
Production	(2.6)	(16.2)	(1.0)	(11.4)	(0.4)	(0.7)	(4.8)	—	—	(0.5)	—
Balance, October 31, 1981	34.3	197.8	9.5	137.0	5.8	11.6	45.8	6.0	2.4	1.4	12.6
Revisions of previous estimates	3.1	31.2	2.2	4.1	0.9	(4.1)	25.4	2.9	(0.1)	1.2	1.8
Extensions, discoveries and other additions	0.9	33.3	0.9	33.3	—	—	—	—	—	—	—
Sales of reserves-in-place	(2.7)	(72.0)	(2.7)	(72.0)	—	—	—	—	—	—	—
Production	(4.9)	(26.4)	(1.5)	(21.6)	(1.2)	(0.7)	(4.7)	(0.9)	—	(0.6)	(0.1)
Balance, October 31, 1982	30.7	163.9	8.4	80.8	5.5	6.8	66.5	8.0	2.3	2.0	14.3
Revisions of previous estimates	(1.1)	13.7	0.6	2.2	(0.1)	(1.6)	10.0	(0.3)	1.2	0.3	0.3
Extensions, discoveries and other additions	2.3	4.3	0.2	3.6	—	—	—	—	—	2.1	0.7
Sales of reserves-in-place	(0.6)	(11.8)	(0.6)	(11.8)	—	—	—	—	—	—	—
Production	(4.3)	(12.0)	(0.9)	(7.0)	(1.3)	(0.5)	(4.9)	(1.0)	(0.1)	(0.6)	—
Balance, October 31, 1983	27.0	158.1	7.7	67.8	4.1	4.7	71.6	6.7	3.4	3.8	15.3
Net proved developed oil and gas reserves											
Balance, October 31, 1980	13.6	65.7	6.4	57.6	—	6.0	7.2	—	—	1.2	0.9
Balance, October 31, 1981	32.2	151.3	9.0	129.4	5.0	10.8	18.7	6.0	2.4	1.4	0.8
Balance, October 31, 1982	28.8	135.1	7.9	64.8	4.2	6.8	66.5	8.0	2.3	1.9	1.5
Balance, October 31, 1983	22.5	138.0	7.3	58.9	2.3	4.4	61.5	6.7	3.4	1.8	14.2

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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Results of Operations for Oil and Gas Producing Activities

The following summarizes the operating results of oil and gas producing activities for the years ended October 31, 1983, 1982 and 1981:

$ in millions	Total	United States	United Kingdom	Argentina	Greece	Other Foreign
1983						
Revenues from the sale of oil, gas and natural gas liquids	$135.8	$ 43.8	$ 37.8	$ 6.2	$ 30.7	$ 17.3
Less: Production (lifting) costs	(33.7)	(12.1)	(7.2)	(1.9)	(6.9)	(5.6)
Depletion, depreciation and amortization and valuation provisions	(82.2)	(11.8)	(20.9)	(4.0)	(10.8)	(34.7)
	19.9	19.9	9.7	0.3	13.0	(23.0)
Income taxes	(12.2)	(7.3)	(3.9)	—	(3.8)	2.8
Results of operations from oil and gas producing activities, excluding corporate overhead and interest costs	$ 7.7	$ 12.6	$ 5.8	$ 0.3	$ 9.2	$(20.2)
1982						
Revenues from the sale of oil, gas and natural gas liquids	$225.8	$129.8	$ 43.4	$ 6.5	$25.8	$ 20.3
Less: Production (lifting) costs	(52.3)	(30.2)	(7.3)	(3.0)	(6.1)	(5.7)
Depletion, depreciation and amortization and valuation provisions	(79.0)	(43.7)	(12.9)	(3.6)	(5.9)	(12.9)
	94.5	55.9	23.2	(0.1)	13.8	1.7
Income taxes	(39.5)	(22.7)	(9.5)	—	(3.1)	(4.2)
Results of operations from oil and gas producing activities, excluding corporate overhead and interest costs	$ 55.0	$ 33.2	$ 13.7	$(0.1)	$10.7	$ (2.5)
1981						
Revenues from the sale of oil, gas and natural gas liquids	$ 99.4	$ 56.6	$ 13.1	$ 9.1	$ —	$ 20.6
Less: Production (lifting) costs	(30.4)	(16.7)	(2.8)	(6.0)	—	(4.9)
Depletion, depreciation and amortization and valuation provisions	(27.7)	(16.2)	(2.0)	(3.5)	—	(6.0)
	41.3	23.7	8.3	(0.4)	—	9.7
Income taxes	(18.9)	(9.2)	(3.6)	—	—	(6.1)
Results of operations from oil and gas producing activities, excluding corporate overhead and interest costs	$ 22.4	$ 14.5	$ 4.7	$(0.4)	$ —	$ 3.6

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

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

The information is computed by applying current prices of oil and gas (with consideration of price changes only to the extent provided by contractual arrangements) to estimated future production of proved oil and gas reserves as of October 31, 1983, less estimated future expenditures (based on current costs) to be incurred in developing and producing the proved reserves, and assuming continuation of existing economic conditions. Income taxes are based on year-end statutory rates adjusted for permanent differences. Amounts are discounted by ten percent per annum.

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

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

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

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

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

$ in millions	Total	United States	United Kingdom	Argentina	Greece	Other Foreign
As of October 31, 1983						
Future cash inflows based on year-end prices	$ 998.5	$400.2	$108.7	$ 73.7	$236.2	$179.7
Future production and development costs based on year-end costs	273.6	80.8	40.6	22.4	66.9	62.9
	724.9	319.4	68.1	51.3	169.3	116.8
Future income tax expenses based on year-end effective tax rates	194.5	68.5	19.8	8.5	48.5	49.2
Future net cash flows	530.4	250.9	48.3	42.8	120.8	67.6
Ten percent annual discount for estimated timing of cash flows	184.9	99.0	11.4	14.7	30.3	29.5
Standardized measure of discounted future net cash flows relating to proved reserves	$ 345.5	$151.9	$ 36.9	$ 28.1	$ 90.5	$ 38.1
As of October 31, 1982						
Future cash inflows based on year-end prices	$1,119.6	$467.3	$174.5	$101.4	$247.7	$128.7
Future production and development costs based on year-end costs	313.7	132.2	57.2	13.5	58.9	51.9
	805.9	335.1	117.3	87.9	188.8	76.8
Future income tax expenses based on year-end effective tax rates	222.5	74.1	39.8	19.0	56.0	33.6
Future net cash flows	583.4	261.0	77.5	68.9	132.8	43.2
Ten percent annual discount for estimated timing of cash flows	175.2	79.2	10.9	25.0	43.1	17.0
Standardized measure of discounted future net cash flows relating to proved reserves	$ 408.2	$181.8	$ 66.6	$ 43.9	$ 89.7	$ 26.2
As of October 31, 1981						
Future cash inflows based on year-end prices	$1,399.4	$780.7	$174.7	$139.8	$237.6	$ 66.6
Future production and development costs based on year-end costs	423.1	200.1	46.1	84.9	57.0	35.0
	976.3	580.6	128.6	54.9	180.6	31.6
Future income tax expenses based on year-end effective tax rates	273.7	157.5	40.0	10.3	53.2	12.7
Future net cash flows	702.6	423.1	88.6	44.6	127.4	18.9
Ten percent annual discount for estimated timing of cash flows	203.5	141.4	10.9	12.4	27.8	11.0
Standardized measure of discounted future net cash flows relating to proved reserves	$ 499.1	$281.7	$ 77.7	$ 32.2	$ 99.6	$ 7.9

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
continued

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

$ in millions Years ended October 31,	1983	1982	1981
Discounted future net cash flows at beginning of year	$408.2	$499.1	$188.7
Discoveries, extensions and other additions, and improved recovery, net of future production and development costs	22.3	111.4	51.7
Sales and transfers of oil and gas produced, net of production costs	(102.3)	(173.5)	(69.0)
Net changes in prices and development and production costs	1.5	(50.6)	15.5
Development costs incurred during the period	5.7	28.5	61.9
Revision of previous quantity estimates	12.6	68.6	(4.5)
Net change resulting from purchases and sales of minerals-in-place	(25.8)	(167.3)	353.2
Increase in present value due to passage of one year	55.8	71.0	35.2
Net change in income taxes	21.3	65.4	(132.1)
Other, including the effect of changes in estimated rates of production	(53.8)	(44.4)	(1.5)
Balance at end of year	$345.5	$408.2	$499.1

SUPPLEMENTAL FINANCIAL INFORMATION ON CHANGING PRICES unaudited

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

In conformity with the Statement of Financial Accounting Standards No. 33, the company is presenting selected supplemental information adjusted for both general inflation (constant dollar) and for changes in specific prices (current cost).

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

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

Statement of Earnings from Continuing Operations Adjusted for Changing Prices unaudited

$ in millions Year ended October 31, 1983	As Reported in Primary Statements	Adjusted for General Inflation (1983 average dollars)	Adjusted for Changes in Specific Prices (October 31, 1983 dollars)
Revenues	$5,300.5	$5,300.5	$5,300.5
Depreciation, depletion and amortization	221.8	283.7	260.4
Other costs of revenues, net	4,906.9	4,907.4	4,907.4
Earnings before income taxes	171.8	109.4	132.7
Income taxes	91.1	91.1	91.1
Earnings from continuing operations	$ 80.7	$ 18.3	$ 41.6
Gain from decline in purchasing power of net amounts owed		$ 42.8	$ 42.8
Inventories and property, plant & equipment			$3,026.7
Increase in general inflation of inventories and property, plant & equipment held during the year			$ 89.8
Effect of decrease in specific prices			107.1
Excess of increase in general inflation over decrease in specific prices			$ 196.9

The supplementary information on a constant dollar basis is expressed in average constant dollars for the year and reflects changes that have occurred in the purchasing power of the dollar as measured by the Consumer Price Index for All Urban Consumers. Current cost information reflects assets and expenses associated with the use or sale of assets at their current cost at the balance sheet date or at the date of use or sale. Information on a current cost basis was determined for each class of goods being measured using a combination of externally generated indices and direct pricing.

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

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

Selected Data Adjusted for Effect of Inflation (in average 1983 dollars) unaudited

$ in millions, except per share amounts

Years ended October 31,	1983	1982	1981	1980	1979
Revenues from continuing operations	$5,300.5	$6,966.0	$5,922.5	$5,327.4	$4,557.8
Earnings from continuing operations:					
Adjusted for general inflation	18.3	127.8	158.4	143.1	
Adjusted for changes in specific prices	41.6	106.2	142.9	115.7	
Earnings per share from continuing operations:					
Adjusted for general inflation	.23	1.62	2.82	2.97	
Adjusted for changes in specific prices	.53	1.35	2.54	2.39	
Net assets at end of year:					
Adjusted for general inflation	2,161.9	2,265.7	2,207.9	986.9	
Adjusted for changes in specific prices	2,212.8	2,470.7	2,391.6	1,159.8	
Excess of (decrease) increase in specific prices over increase in general inflation	(196.9)	11.8	17.2	59.8	
Gain from decline in purchasing power of net amounts owed	42.8	82.3	60.6	38.8	
Cash dividends declared per share	$ .80	$ .83	$ .89	$ .80	$ .68
Market price per share at end of year	16 13/16	21 5/16	30 1/2	73 15/16	29 7/16
Average consumer price index	296.7	287.1	268.4	242.1	213.1

Prior periods have been restated to reflect continuing operations only.

SALE OF COQUINA

In November 1982, the company completed the sale of certain domestic oil and gas producing properties to Petro-Lewis Corporation and others for $167.9 million in cash. The properties were owned by Coquina Oil Corporation and Coquina Petroleum Inc., both subsidiaries of St. Joe. The sale included proved reserves of approximately 14.7 million equivalent barrels of oil. The properties were classified as current assets held for sale at October 31, 1982. Included in the current portion of long-term debt at October 31, 1982, was $161.5 million of commercial paper which was retired with the proceeds from the sale. The remaining oil and gas properties owned by Coquina Oil Corporation and Coquina Petroleum Inc. were sold later in 1983.

SALE OF FOREIGN OIL AND GAS PROPERTIES

In December 1983, the company announced the sale of several foreign oil and gas properties to Charterhouse Petroleum of the United Kingdom, for approximately $66 million, subject to the approval of the shareholders of Charterhouse Petroleum and the government of the United Kingdom. Properties to be sold include the company's interests in the United Kingdom, the Netherlands and part of its Egyptian properties. The financial statements and footnotes do not reflect the pending sale of these properties.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
continued

MINERAL RESERVES AND OPERATING STATISTICS unaudited

Information relating to the company's mineral reserves as of October 31, 1983, 1982 and 1981, and milling, production and realized product prices during the years ended October 31, 1983 and 1982 and the three months ended October 31, 1981 follows:

	1983				1982			
Short tons and troy ounces in thousands	United States	Argentina	Australia	Chile	United States	Argentina	Australia	Chile
Reserves (tons)								
Lead	62,056[a]				62,294[a]			
Zinc	8,378[b]				10,063[b]			
Iron Ore	187,888[a]				196,484[a]			
Metallurgical Coal	99,083[b/c]				142,836[b/c]			
Steam Coal	420,253[b/c]				386,188[b/c]			
Foreign Milling Ore		6,221[b]	1,296[b/d]	5,048[b]		6,494[b]	2,094[b/d]	4,694[b]
Direct Shipping Ore				66[b]				69[b]
Average Grade of Ore Reserves[e]								
Lead	5.0	5.8	2.9		5.0	6.0	3.2	
Zinc	11.3	6.9	8.8		10.9	6.9	9.5	
Iron Ore	55.5				56.0			
Copper			1.8	5.0			1.9	5.1
Direct Shipping Ore—Silver				3.8				3.3
Direct Shipping Ore—Gold				6.8				7.3
Foreign Milling Ore—Silver		3.5	1.2	3.6		3.6	1.4	3.6
Foreign Milling Ore—Gold				0.3				0.3
Ore Milled (tons)								
Lead	4,599				4,590			
Zinc	765				684			
Iron Ore	1,230				1,487			
Foreign Milling Ore		668	344	544		668	392	423
Metal Content of Concentrates Produced (tons)[f]								
Lead	216	32	6		208	34	8	
Zinc	88	37	22		78	37	26	
Iron Ore	530				643			
Copper			4	16			4	8
Direct Shipping Ore—Silver				60				61
Direct Shipping Ore—Gold				206				236
Foreign Milling Ore—Silver		1,564	342	855		1,695	464	455
Foreign Milling Ore—Gold				170				145
Coal Produced (tons)								
Metallurgical	2,084				2,155			
Steam	7,102				6,873			
Average Realized Prices (per ton)								
Lead Metal	$391				$520			
Zinc Metal	772				746			
Zinc Concentrates	357[g]	$197	$142		313[g]	$232	$171	
Iron Ore Pellets	25				32			
Lead Concentrates		$580[g]	36			$501[g]	81	
Copper Concentrates			$185				$184	
Metallurgical Coal	43				48			
Steam Coal	$ 39				$ 40			
Gold/Silver Bearing Copper Concentrates				$1,096				$1,427
Dearsenified Gold/Silver Bearing Copper Concentrates				1,939				2,607
Doré Bullion (per kilogram)				2,905				3,668
Direct Shipping Ore				$2,930				$2,546

(a) Proven.
(b) Proven and Probable.
(c) Represents proportionate share of reserves and production of Massey Coal Company. Does not include proportionate share of reserves related to the company's 10 percent interest in Peabody Holding Company, which was sold in 1983.
(d) Represents proportionate share of reserves of joint venture.
(e) Stated as % except silver and gold which are stated in troy ounce/ton.
(f) Stated in tons except silver and gold which are stated in troy ounces.
(g) Price reflects silver content in concentrates.

1981			
United States	Argentina	Australia	Chile
64,067[a]			
10,678[b]			
100,182[a]			
146,321[b/c]			
341,415[b/c]			
	6,558[b]	2,494[b/d]	3,433[b]
			77[b]
5.1	6.2	3.1	
10.8	7.6	9.0	
56.1			
		1.9	3.5
			3.4
			8.2
	3.7	1.4	4.3
			0.4
1,205			
142			
459			
	167	88	
57	8	2	
16	9	6	
195			
		1	
			24
			42
	458	149	
602			
1,697			
$764			
909			
366[g]	$192	$195	
35			
	$562[g]	186	
		$224	
48			
$ 37			
			$3,356

CONTINGENCIES, COMMITMENTS AND RESTRICTIONS

The company is contingently liable for commitments and performance guarantees arising in the ordinary course of business. Claims arising from engineering and construction contracts have been made against the company by clients, and the company has made certain claims against clients for costs incurred in excess of contract coverage. In the opinion of management, finalization of these matters will not have a material adverse effect on the company's consolidated financial position or results of operations.

At October 31, 1983, approximately $739 million of net assets of subsidiaries have restrictions which affect the ability to transfer them to the parent company in the form of loans, advances, or dividends. Substantially all of these restricted net assets relate to the requirement of the Massey Coal Company joint venture agreement to obtain approval of both parties prior to the transfer of joint venture assets.

QUARTERLY FINANCIAL DATA unaudited

The following is a summary of the quarterly results of operations for the years ended October 31, 1983 and 1982.

$ in thousands, except per share amounts

1983	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Revenues from continuing operations	$1,399,172	$1,377,315	$1,265,700	$1,258,265
Gross margin	103,401	91,629	64,147	23,498
Earnings (loss) from continuing operations	38,854	31,144	18,463	(7,761)*
Earnings (loss) from discontinued operations				
Operations	(6,775)	(3,411)	(9,604)	(7,210)
Disposal	—	—	—	(26,000)
Net earnings (loss)	32,079	27,733	8,859	(40,971)*
Earnings (loss) per share				
Continuing operations	.49	.39	.23	(.09)*
Net earnings (loss)	$ .41	$ .35	$ .11	$ (.52)*

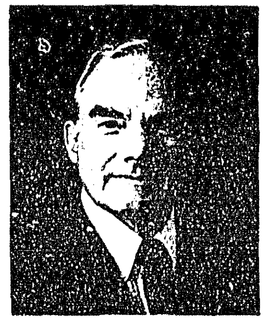
1982	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Revenues from continuing operations	$1,566,237	$1,753,415	$1,773,948	$1,646,951
Gross margin	90,341	116,532	110,648	117,764
Earnings from continuing operations	36,854	41,867	41,965	40,290
Earnings (loss) from discontinued operations	2,960	275	(3,451)	(7,961)
Net earnings	39,814	42,142	38,514	32,329
Earnings per share				
Continuing operations	.47	.53	.53	.52
Net earnings	$ .51	$ .53	$ .49	$ .41

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

DIRECTORS

J. ROBERT FLUOR
62, is Chairman and Chief Executive Officer of Fluor Corporation. Fluor joined the company in 1946 and has served on the Board since that time.[1][4]

CHARLES N. CANNON
61, is Group Vice President of Fluor Corporation and Chairman of Fluor Engineers, Inc. Cannon joined the company in 1961 and has served on the Board since 1977.[1]



CHARLES W. COX
65, is Vice Chairman of Daniel International Corporation and Chairman of Daniel Construction Company. Cox joined Daniel in 1957 and became a member of the Fluor Board in 1977.[5]

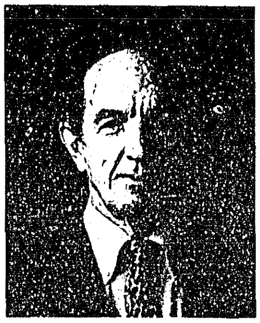
JOHN C. DUNCAN
63, is the retired former Chairman and Chief Executive Officer of St. Joe Minerals Corporation. Duncan joined St. Joe in 1970 and became a member of the Fluor Board in 1981.

DAVID S. TAPPAN, JR.
61, is President and Chief Operating Officer of Fluor Corporation. Tappan joined Fluor in 1952 and became a member of the Board in 1965.[1]

JOSEPH V. McKEE, JR.
63, is the retired former Chairman of National Union Electric. McKee was elected to the Board in 1982, having previously served as a director of St. Joe Minerals Corporation.[3]

GEORGE W. MEFFERD
57, is Group Vice President and Chief Financial Officer of Fluor Corporation. Mefferd joined Fluor in 1974 and has served on the Board since that time.[1]

BUCK MICKEL
58, is Chairman–Engineering and Construction Group of Fluor Corporation, and Chairman and President of Daniel International Corporation. Mickel joined Daniel in 1948 and became a member of the Fluor Board in 1977.[1]



WILLIAM R. GRANT
59, is Chairman of MacKay-Shields Financial Corporation. Grant was elected to the Fluor Board in 1982 having previously served as a director of St. Joe Minerals Corporation.(2)(4)

SIBRAND JURRIAANS
66, is a retired partner of Pierson, Heldring & Pierson, investment and commercial bankers. Jurriaans became a member of the Board in 1964.(2)(3)(4)

ROBERT V. LINDSAY
58, is President and a Director of J. P. Morgan and Co. Incorporated and Morgan Guaranty Trust Company of New York. Lindsay was elected to the Fluor Board in 1982 having previously served as a director of St. Joe Minerals Corporation.(3)(4)

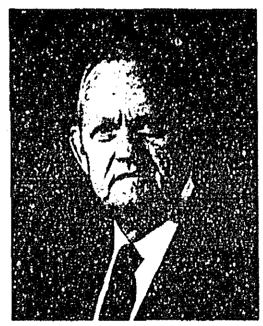
ROSS A. McCLINTOCK
62, is Senior Vice President of Fluor Corporation and Chairman of Fluor Drilling Services, Inc. McClintock joined Fluor in 1969 and has served on the Board since that time.

WILLIAM I. McKAY
63, is Group Vice President of Fluor Corporation. McKay joined the company in 1954 and has served on the Board since 1977.

LOREN K. OLSEN
69, is Counsel, Morgan, Lewis & Bockius, attorneys. Olsen has been a member of the Board since 1962.(2)(3)

ARTHUR C. SHEFFIELD
63, is Group Vice President of Fluor Corporation. Sheffield joined the company in 1942 and has served on the Board since 1971.

CHARLES WEINER
60, is Chairman of Texas Crude, Inc., oil and gas production. Weiner has served on the Board since 1969.(2)(3)(4)



LOUIS H. WILSON
63, is General, U.S. Marine Corps (Retired) and former Commandant of the Marine Corps. Wilson became a member of the Board in 1979.(2)(3)(4)

JOHN A. WRIGHT
41, is Chairman–Natural Resources Group of Fluor Corporation, and Chairman and Chief Executive Officer of St. Joe Minerals Corporation. Wright joined St. Joe in 1971 and became a member of the Fluor Board in 1981.(1)

(1) Member of Executive Committee
(2) Member of Audit Committee
(3) Member of Compensation Committee
(4) Member of Nominating Committee
(5) Retired January 2, 1984

PRINCIPAL SUBSIDIARIES AND DIVISIONS

ENGINEERING AND CONSTRUCTION

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

METALS AND COAL

St. Joe Minerals Corporation Clayton, Missouri
- **A.T. Massey Coal Company, Inc.** Richmond, Virginia
- **St. Joe International Corporation** New York, New York
- **St. Joe Lead Company** Clayton, Missouri
- **St. Joe Resources Company** Clayton, Missouri

OIL AND GAS

Fluor Oil and Gas Corporation Denver, Colorado
St. Joe Petroleum Corporation Denver, Colorado

DRILLING SERVICES

Fluor Drilling Services, Inc. Irvine, California
- **Coral Drilling Division** New Orleans, Louisiana
- **Western Offshore Drilling and Exploration Co.** Irvine, California

OFFICERS[1]

EXECUTIVE OFFICERS

EXECUTIVE

J. Robert Fluor
Chairman of the Board and Chief Executive Officer (1946)

David S. Tappan, Jr.
President and Chief Operating Officer (1952)

Charles N. Cannon
Group Vice President and Chairman of the Board of Fluor Engineers, Inc. (1961)

Ross A. McClintock
Senior Vice President and Chairman of the Board of Fluor Drilling Services, Inc. (1969)

William I. McKay
Group Vice President (1954)

Buck Mickel
Chairman–Engineering and Construction Group and Chairman of the Board and President of Daniel International Corporation (1977)

Arthur C. Sheffield
Group Vice President (1942)

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

FINANCIAL

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

James M. Markert
Treasurer (1970)

Richard D. Paul
Vice President and Controller (1968)

LAW

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

OTHER OFFICERS

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

Thomas C. Ellick
Vice President–Corporate Relations (1971)

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

Wilbur J. Holleman
Vice President–Tax (1975)

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

Howard E. Owens
Vice President–Corporate Law (1968)

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

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

P. Joseph Trimble
Senior Vice President–Law, Engineering and Construction Group (1972)

William R. Warren
Vice President–Information Systems (1975)

KEY OPERATING EXECUTIVES[1]

Dean K. Allen
President, Fluor Engineers, Inc. (1962)

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

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

Hugh K. Coble
Group Vice President–Marketing, Fluor Engineering and Construction Group, Inc. (1966)

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

J. Robert Fluor II
President, Fluor Drilling Services, Inc. (1967)

Robert E. Harrigan
Group Vice President–Marketing, Fluor Engineers, Inc. (1956)

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

Leslie G. McCraw
President, Daniel Construction Company (1977)

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

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

Currie B. Spivey, Jr.
Group Vice President, Fluor Engineers, Inc. (1977)

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

L. Edward Weible
Vice President, St. Joe Minerals Corporation and President, St. Joe Lead Company (1981)

(1) Years in parentheses indicate the year each officer or executive joined the company.

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