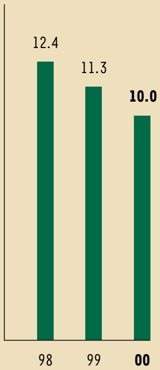
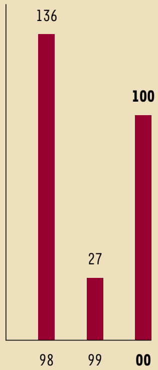
Fluor Corporation 2000 Annual Report

Selling knowledge, delivering value

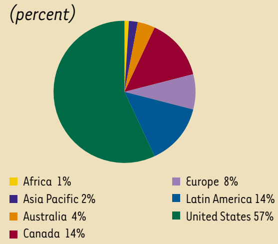
Revenues from Continuing Operations
($ in billions)



Earnings from Continuing Operations*
($ in millions)

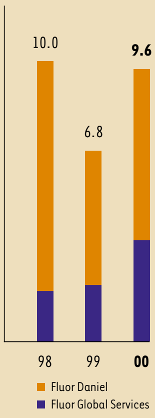


Consolidated Backlog by Region
(percent)

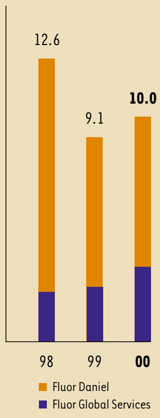


Includes special provision of $101 million after tax recorded during 1999 and a $18 million after tax reversal recorded during 2000.

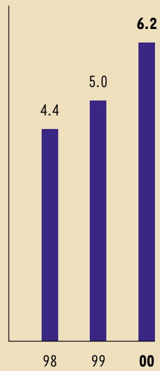
Consolidated New Awards
($ in billions)



Consolidated Backlog
($ in billions)



Consolidated Backlog Gross Margin %
(in percent)



Company Description

Fluor Corporation is a global, knowledge-based services company offering a diverse range of value-added services from traditional engineering, procurement and construction (EPC) to total asset management. The company is organized into three Strategic Business Enterprises: Fluor Daniel, Fluor Global Services and Fluor Signature Services.

Fluor Daniel is one of the world's largest consulting, engineering and construction services companies. Organized into four Strategic Business Units: Energy & Chemicals, Infrastructure, Manufacturing & Life Sciences, and Mining, Fluor Daniel is a trusted global leader with a reputation for being responsive to client needs, providing value-added services, executing complex capital projects on schedule with excellence and delivering safety performance that sets the industry standard.

Fluor Global Services (FGS) is a premier provider of customized solutions to optimize the life cycle value of clients' capital assets and to allow clients to focus on their core business competencies. FGS provides consulting and state-of-the-art services in telecommunications; operations and maintenance; program and asset management; industrial equipment and tools; property services; and federal services.

Fluor Signature Services (FSS) delivers administrative and business services on a global basis within Fluor Corporation and to external clients. This Fluor Corporation enterprise maximizes Fluor's investment in people, processes, and technology to deliver high-quality, cost-effective business services. FSS provides knowledge-based solutions through the following specialized professional service areas: finance, human resources, information technology, safety, publication services, real estate, contract and direct-hire personnel, and office services.

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Financial Highlights*

	2000	1999	Percent Change
(in thousands, except per share amounts)			
Fiscal Year			
Revenues	$ 9,970,154	$ 11,334,355	-12
Earnings from continuing operations, net	99,846	26,683	274
Earnings from discontinued operations, net	24,103	77,504	-69
Net earnings	123,949	104,187	19
Basic earnings per share			
Continuing operations	1.33	.35	280
Discontinued operations	.32	1.03	-69
Net earnings	1.65	1.38	20
Diluted earnings per share			
Continuing operations	1.31	.35	274
Discontinued operations	.31	1.02	-70
Net earnings	$ 1.62	$ 1.37	18
Return on average shareholders' equity	7.7%	6.8%	—
Capital expenditures – continuing operations	$ 284,079	$ 277,033	3
New awards	$ 9,644,200	$ 6,789,400	42
Cash dividends per common share	$ 1.00	$ .80	25
At Fiscal Year-end			
Working capital	$ (172,582)	$ (294,139)	NM
Net assets of discontinued operations	866,199	—	NM
Total assets	3,652,734	4,886,117	-25
Backlog	10,012,200	9,142,000	10
Capitalization			
Short-term debt	253,512	247,911	2
Long-term debt	17,573	317,555	-94
Shareholders' equity	1,609,257	1,581,372	2
Total capitalization	$ 1,880,342	$ 2,146,838	-12
Total debt as a percent of total capitalization**	36.7%	26.3%	—
Shareholders' equity per common share	$ 21.24	$ 20.80	2
Closing stock price	$ 35.00	$ 39.88	-12
Salaried employees	22,205	24,243	-8
Craft/hourly employees	24,908	26,315	-5
Total employees	47,113	50,558	-7

NM – Not meaningful

**As discussed in the first note to the accompanying financial statements, on November 30, 2000 the shareholders approved a spin-off distribution that will separate the company into two publicly traded companies – a "new" Fluor and Massey Energy Company. The net assets of Massey Energy Company at October 31, 2000 and its results of operations for all periods presented have been reclassified and are presented as discontinued operations.*

***The percentage shown for 2000 is presented on a pro forma basis, as if the spin-off distribution had occurred on October 31, 2000.*

Note: The information contained in this annual report contains forward-looking statements regarding projected earning levels for fiscal year 2001, market outlook, new awards, backlog levels, competition, the adequacy of funds to service debt and the implementation of new strategic initiatives. These forward-looking statements reflect the company's current analysis of existing information as of the date of this annual report. As a result, caution must be exercised in relying on forward-looking statements. Due to unknown risks, the company's actual results may differ materially from its expectations or projections. The factors potentially contributing to such differences include, among others:

• Changes in global business, economic, political and social conditions;
• The company's failure to receive anticipated new contract awards;
• Customer cancellations of, or scope adjustments to, existing contracts;
• Difficulties or delay incurred in the execution of construction contracts resulting in cost overruns or liabilities;
• Customer delays or defaults in making payments;
• Difficulties and delays incurred in the implementation of strategic initiatives;
• Risks and impacts resulting from the company's reverse spin-off transaction consummated November 30, 2000 involving Massey Energy Company; and
• Competition in the global engineering, procurement and construction industry.

The forward-looking statements are also based on various operating assumptions regarding, among other things, overhead costs and employment levels that may not be realized. In addition, while most risks affect only future costs or revenues that the company anticipates it will receive, some risks may relate to accruals that have already been reflected in earnings. The company's failure to receive payments of these accrued earnings could result in charges against future earnings.

Additional information concerning factors that may influence the company's results can be found in its press releases and periodic filings with the Securities and Exchange Commission including the discussion under the heading "Item 1. Business-Other Matters-Company Business Risks" in the company's 10-K filed January 29, 2001. These filings are available publicly and upon request from Fluor's Investor Relations Department: (949) 349-3909. The company disclaims any intent or obligation to update its forward-looking statements.

Letter to Shareholders

Philip J. Carroll, Jr.
Chairman and
Chief Executive Officer
Fluor Corporation

It is an exciting time for our company as the "new" Fluor builds on its strategies and the positive momentum developed over the past two years. A number of significant milestones have been reached in positioning the company to achieve its financial performance goals and growth in shareholder value.

Major Accomplishments

Major accomplishments were made in three key areas. First was the creation of a new strategic direction, reinforced by implementation of a business model process to help ensure our financial success. Second was the successful reverse spin-off of Massey Coal and the recapitalization of "new" Fluor. Lastly was the appointment of Alan Boeckmann as president and chief operating officer of Fluor Corporation and an organizational realignment that facilitates the leadership of Fluor as a single, highly focused company. These actions were taken to ensure that we are optimally positioned to capitalize on accelerating market opportunities.

Financial Performance

The year was not without its disappointments. In the third quarter, a lump-sum power project being executed through our partnership with Duke Energy Corporation experienced an unanticipated cost overrun. Earnings were reduced by a $60 million loss on the project that represented our equal share of the overrun. This was especially disappointing in view of the strong ongoing focus we have had to enhance project execution and deliver predictable financial results. Additional actions to further strengthen operating procedures, along with a strong focus on risk management, have been implemented to minimize the prospects of such incidents in the future.

As a result, our financial performance for 2000 was mixed, with earnings from continuing operations, excluding unusual items, of $118.4 million, or $1.55 per share (including the project charge), compared with $127.2 million, or $1.68 per share in 1999.

Encouragingly, consolidated new awards increased by 42 percent to $9.6 billion, compared with $6.8 billion a year ago. As a result, consolidated backlog grew 10 percent to $10.0 billion from $9.1 billion in 1999, the first positive change in Fluor's backlog in three years. Importantly, gross margin in backlog improved to 6.2 percent from 5 percent a year earlier.

As we enter 2001, we are confident that we have the right strategy, financial structure, organizational focus and leadership to capitalize on significant opportunities in an increasingly favorable market. We are focused on achieving improved financial results in the key financial drivers of shareholder value — sustainable, profitable growth, strong cash flow and returns on investment well above our cost of capital.

Implementation of New Strategic Direction

Implementation of our new strategic direction in 2000 was concentrated on positioning the company as a global, knowledge-based services company and growing our participation in the engineering, procurement, construction, maintenance and related fields. Key initiatives included full implementation of a detailed business model process to set priorities, enhance accountability and provide performance metrics to measure quarterly progress against firmly established objectives. We also further deployed our strategy of project selectivity and client focus supported by the transition to a strong account management methodology that has produced encouraging results.

Significant progress also was achieved with the successful initial implementation of our *Knowledge@Work*SM project that revamps our work processes and information management systems. As we move toward full implementation, we will have access to more in-depth and real-time information on operational, financial and human resource data, which will substantially enhance our decision-making processes. Additionally, we successfully implemented a shared-services organization, Fluor Signature Services, which provides cost-effective business and administrative support services to all of Fluor's operating units. Importantly, this approach not only reduces overhead, but allows operating units to focus their entire energies on growing their core businesses.

During the year, we also made selected investments in three Internet-based ventures that, over time, will enhance our growth potential and increase the value we provide to clients. In March, Fluor and IBM formed an e-commerce capital goods procurement venture, TradeMC, designed to revolutionize the procurement process by concentrating purchases through Web-enabled strategic sourcing agreements. Additionally, we established an equity participation in Citadon, the leading Internet-based project management platform service provider. GlobEquip, a third Web-based venture, was launched in December and will act as an on-line agent for the sale of heavy equipment to high-demand regions of the world.

Massey Spin-Off

No accomplishment during the year was of more historic importance, or of greater impact to the company, than the successful completion of the separation from Fluor of Massey Coal. The tax-free spin-off to shareholders created two new public companies, each a leader in its respective industry, with strong growth opportunities. This action positioned the respective management teams of both companies to focus on improving their strategic and operational performances and provide significantly enhanced flexibility for both to grow in a manner best suited for their businesses.

Financial Condition

Fluor's financial condition remains strong, and the company has retained its investment-grade credit rating. Our financial position is the strongest of any publicly traded company in our industry, which continues to be an important differentiator to our clients by providing assurances that we can fund and complete large, complex projects.

Importantly, the separation of Massey produces a recapitalized financial structure for "new" Fluor with significantly reduced capital requirements. This allows Fluor's balance sheet to be optimized for its services business focus and will significantly enhance our ability to achieve much higher return on capital. As a result of these positive benefits, and the favorable business outlook, we have increased our long-term financial performance targets. We have now established 15 percent as a minimum objective for both return on capital and long-term average earnings growth. Additionally, beginning 2001, Fluor will be changing to a December 31 fiscal calendar year end.

Recognizing that dividends represent an essential component in the creation of shareholder value, Fluor has targeted a 30-35 percent payout of prospective earnings. Furthermore, we expect that improving earnings performance, along with reduced capital requirements, will generate substantial cash flows over the next several years, enhancing our ability to fund growth initiatives that create additional shareholder value. During the year, 2.6 million "old" Fluor shares were repurchased, completing just over one-third of our targeted 10 percent buyback of outstanding shares.

Organizational Changes

In an important move designed to capitalize on growth market opportunities, Alan Boeckmann was appointed president and chief operating officer of Fluor Corporation, effective February 1, 2001. Alan's most recent assignment in his 25-year career at Fluor was as president and chief executive officer of Fluor Daniel. In his new position, he will be responsible for all business operations of the corporation, as well as finance, human resources, and communications. With the reverse spin-off of Massey Coal complete, and our focus now on establishing predominance in our global markets, Alan's appointment is part of a logical progression in the development of the "new" Fluor.

As a result of the spin-off, Don Blankenship, chairman and chief executive officer of Massey Energy, no longer serves as a director of Fluor Corporation.

Acknowledgements

Congratulations are in order to Fluor's employees for another outstanding year of safety performance. Safety continues to be a long-standing core value at Fluor, yielding a wide range of benefits to clients, employees and shareholders alike. It was also gratifying that Fluor was ranked the No.1 engineering and construction company by *Fortune* magazine through a panel of objective, third-party experts in its prestigious annual listing of "The World's Most Admired Companies."

I would like to thank our board of directors and employees for the tremendous effort made during the year in accomplishing significant progress toward our goal of improved financial performance and long-term creation of shareholder value.

I would also like to acknowledge that the successes achieved during the year would not have been possible without the support of our loyal customers. Their evolving needs and growing sophistication regarding the value we can bring to them provides strong motivation to maintain leading-edge capabilities and services which help them achieve their own business success.

I'd like to extend a special note of appreciation to our shareholders for their support and confidence in our company and its future. Evidence that the hard work and dedication of Fluor's global workforce is increasingly achieving our goals is strengthening our conviction in our ability to realize our full potential and rebuild our record of consistent, predictable growth. We are eager to capitalize on the growing opportunities for increased, value-added service in our targeted markets.

Philip J. Carroll, Jr.
Chairman and Chief Executive Officer
January 17, 2001

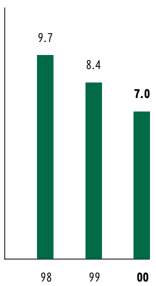
Fluor at a Glance

Building on the great heritage and brand reputation of "old" Fluor, a "new" Fluor was created in 2000. With the reverse spin-off of Massey Coal, along with other important strategic actions, New Fluor has repositioned itself as a global, knowledge-based services company. As we enter 2001, we are well positioned to capitalize on significant growth opportunities ahead, and to begin delivering on our commitment for improved long-term financial performance and creation of shareholder value.

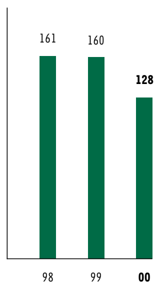
STRATEGIC BUSINESS ENTERPRISE	MISSION	DESCRIPTION
FLUOR DANIEL 	To assist clients in attaining a competitive advantage by delivering quality services of unmatched value.	Fluor Daniel is one of the world's largest engineering and construction services companies. Organized into four Strategic Business Units — Energy & Chemicals, Infrastructure, Manufacturing & Life Sciences, and Mining — Fluor Daniel is a trusted global leader with a reputation for being responsive to client needs, providing value-added services, executing complex capital projects on schedule with excellence and delivering safety performance that sets the industry standard.
FLUOR GLOBAL SERVICES 	To apply the knowledge and skills of Fluor Global Services members, through the power of technology, to optimize the life cycle value and productivity of our clients' capital assets to grow our shareholders' value.	Fluor Global Services (FGS) is a premier provider of customized solutions to optimize the life cycle value of clients' capital assets and to allow clients to focus on their core business competencies. FGS provides state-of-the-art services in telecommunications; operations and maintenance; program and asset management; industrial equipment and tools; property services; and federal services.
FLUOR SIGNATURE SERVICES 	Deliver business effectiveness through quality, timely, innovative and price/value competitive services.	Fluor Signature Services (FSS) delivers administrative and business services on a global basis within Fluor Corporation and to external clients. This Fluor Corporation enterprise maximizes Fluor's investment in people, processes, and technology to deliver high-quality, cost-effective business services. Fluor Signature Services provides knowledge-based solutions through the following specialized professional service areas: finance, human resources, information technology, safety, publication services, real estate, contract and direct-hire personnel, and office services.

FINANCIAL RESULTS

Revenues
($ in billions)



Operating Profit
($ in millions)

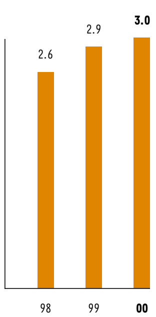


KEY STRATEGIES

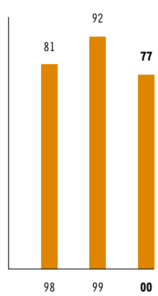
To achieve its goals of dominating its target markets and achieving sustained profitable growth, strategic initiatives in the following areas have been implemented:

- Global People Strategies – attract, retain, develop and motivate highly skilled employees.
- Sales and Marketing Strategies – develop a world-class sales, marketing and account management organization.
- Project Execution/Risk Management Strategies – deliver consistent, high-quality results on all projects.
- E-Commerce Strategies – develop new e-Business strategies to optimize existing business lines and redefine service offerings into new business lines to enhance profitability.
- Investment Strategies – deliver sustainable, consistent, premium returns on invested capital.

Revenues
($ in billions)



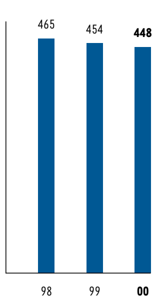
Operating Profit
($ in millions)



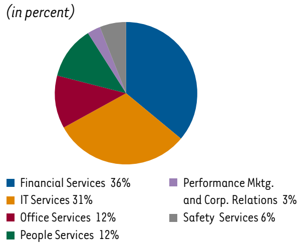
To achieve its goal to be the premier assets solutions company, FGS is focused on three growth platforms:

- Align existing services to support FGS' strategic direction and financial goals.
- Penetrate explosive growth market opportunities within the business portfolio.
- Create new profitable and complementary businesses.

Total Assets
($ in millions)



2000 Revenues by Line of Business
(in percent)



To achieve its vision of business professionals working collaboratively for customer success, FSS has implemented the following key initiatives:

- Financial – Reduce real estate asset base.
- Customer – Improve customer service.
- Service Delivery – Apply a shared service model to enhance value of business services.
- Employees – Enhance skills; align pay with market; introduce variable pay tied to performance.
- Growth & Innovation – Ensure success of *Knowledge@Work*℠; enhance/create new value-added services.

Strategic Overview

Selling Knowledge, Delivering Value

Fluor entered the new millennium with a new strategic direction. Completion of the reverse spin-off of Massey Coal has now created a "new" Fluor, with a clear view for its future and well positioned to achieve its goal of improved profitability and enhanced shareholder value.

- Provide knowledge-based services
- Business activities aligned with new strategic direction
- Separated Massey Coal through tax-free spin-off
- Divesting AMECO dealerships

- Selectivity achieving improving gross margins
- Traditional EPC market strengthening
- Knowledge-based services expanding
- Offering total asset solutions
- Leveraging Web-based technologies for increased growth potential

- Significant cost reduction
- Implemented business model process
- Employing account management philosophy
- Initiated *Knowledge@Work*[SM]
- Improved risk management

- Tremendous intellectual capital
- Employee development/engagement a key priority
- Pay for performance philosophy
- Diversity of thought

Fundamentally Changing Our Business Profile and Value Proposition

Nearly two years ago, Fluor embarked on its strategic objective to transform the company into a global, knowledge-based, diversified services company. Our intention was to create a portfolio of growth businesses that sell our knowledge and deliver value.

In 1999, we realigned our business activities with specific market focus and clear lines of accountability. Fluor Daniel is focusing on its traditional engineering, procurement and construction (EPC) business, with specific strategies to position the company for enhanced long-term earnings growth. Fluor Global Services (FGS) was created to focus on growth opportunities for expanded value-added services outside the traditional EPC value chain. FGS is focused on providing premier asset solutions for clients across the entire life cycle of their asset base. Additionally, Fluor Signature Services (FSS) was formed, representing a new approach to providing increased quality and cost effective business and administrative services to Fluor operating units, with distinct profit and loss accountability.

During 2000, we continued the process of assessing and refining our business portfolio, resulting in additional strategic actions and decisions. First, was the separation of our Massey Coal operation through a tax-free reverse spin-off to shareholders, creating two publicly held companies. This action was taken to enable the respective management teams to focus more closely on their businesses and to provide flexibility for each company to grow in a way best suited for its industry. Additionally, independent evaluation of the separated companies offers the opportunity for improved market valuation. The decision was also made to divest the dealership operations of AMECO, Fluor's heavy equipment business. Actions to implement the sale are in progress.

Fixing the Platform

Our first priority in implementing the new strategic direction was to significantly reduce our cost structure. This action was aggressively undertaken in 1999 to address both an industry downturn, as well as accommodate a much tighter market focus on industries and clients where differentiated value could be provided and higher margins achieved. A detailed business model process was also implemented to set priorities, assure financial discipline, enhance accountability and provide performance metrics to measure progress against established objectives.

We also significantly strengthened our sales and marketing work processes, with significantly greater emphasis on selectivity. Most important was the change to an account management philosophy. A more formalized structure and methodology has been implemented throughout the company which places greater emphasis on in-depth analysis and understanding of clients' fundamental business drivers and their critical success factors. A key criteria in the implementation of the account management approach was to focus on clients where we can bring differentiated value that will translate into rewards proportional to our performance.

The objective of the account management process is to establish and maintain mutually beneficial long-term relationships which extend from identifying business opportunities through delivery of value resulting in customer satisfaction. This approach is designed to achieve increased scope and depth of business activity with targeted clients and to optimize the offering of Fluor's entire range of capabilities and services, providing enhanced long-term growth potential.

Another important action was initiation of a multi-year implementation of *Knowledge@Work*℠, a major revamping of our business work processes and information management systems. This new system will enhance our position through increased capabilities and better leverage of our intellectual capital. These new work processes and systems will provide more timely and greater access to in-depth information. This will allow us to more effectively manage our business activities and enhance our decision making processes, ultimately enhancing our ability to deliver value to customers and achieving improved financial performance.

Tremendous intellectual capital resides within Fluor. To enable Fluor to leverage its global experience and knowledge for every customer, we are providing our people with state-of-the-art tools and information systems. A key component of our *Knowledge@Work*℠ investment is the creation of on-line "knowledge communities" which facilitate the systematic and effective sharing and application of our collective knowledge and "know-how" to create value for clients.

A major milestone of the *Knowledge@Work*℠ initiative was achieved in October with the first implementation of Fluor's new enterprise-wide management information system based on SAP technology. During 2001, we will continue our phased implementation, with completion expected in 2002. Major business work process and system changes such as *Knowledge@Work*℠ often involve risk. We have mitigated our risk by using our project management approach, including regular management reviews, employing consultants experienced in major system projects and utilizing a custom tailored implementation plan.

With increasing opportunities for profitable growth on risk projects, we have also taken significant steps to enhance our risk management processes through the application of a consistent business risk management framework. Nearly three years ago, we began to strengthen and formalize our use of risk assessment and control mechanisms to more effectively manage and mitigate risk in the selection and execution of projects. We have placed a high priority on continued improvement in our risk management practices, working to raise risk awareness throughout the organization and to enhance our capabilities to explicitly measure, price and mitigate risk. We have increased our audit and control work processes to further strengthen our ability to profitably execute risk projects.

During 2000, two specific actions were taken. First, we created a Change Management group to bring best practices to our prime contract administration activities. This will allow us to better manage changes on risk projects which are an increasing opportunity in several growth markets. Implementation of our *Knowledge@Work*℠ initiative will provide additional tools to better manage projects. We have begun creating a corporate-wide risk management initiative which will allow us to more effectively measure, price and manage the risk across our entire portfolio. Additionally, we have implemented a risk knowledge community which makes our risk management information accessible to all units of the company.

Our People Make the Difference

A clear understanding of the company's strategic direction and the performance metrics to measure its success provides the critical framework to achieve our goal to enhance shareholder value. The primary differentiator in the execution of our business plan is the quality and capabilities of our people around the globe in which we take great pride.

Employee growth and development is a key priority and is supported by a wide range of programs. These include an extensive scope of on-line training courses as well as specific development processes to match people with opportunities to gain valuable experience. For example, the Global Leadership Forum and

SAP Milestones

4Q00	1Q01	3Q01	3Q02	4Q02
U.S. Go Live • Finance • Administration	Go Live • U.S. HR/Payroll • New U.S. Projects • Global Prospect Management	International Go Live Begins	Conversion of All Projects Complete	Shut Down Legacy Systems

the Fluor Leadership Institute were created to bring Fluor's people together to engage them in helping the company chart its future course and to broaden their view of the company and its markets. Fluor is committed to achieving its goal of creating growth in shareholder value which will further strengthen the company's ability to provide greater opportunities for employee growth, career advancement and an attractive environment for a diversified workforce.

Continuing with its philosophy of pay for performance, Fluor further refined its compensation programs to improve alignment and incentives for people to achieve business and individual goals.

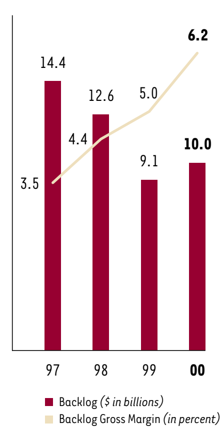
Well Positioned for Growth

With our major restructuring actions completed, including the reverse spin-off of Massey Coal, we are now both strategically and financially well positioned to deliver on our growth objectives. Our strategy of selectivity to focus on added value to clients for margin improvement has achieved meaningful success. While consolidated backlog of $10 billion is below the $14.4 billion level of three years ago, actual gross profit in backlog is 22 percent higher. In addition, market conditions in our traditional EPC business are continuing to strengthen, as reflected by the resumption of growth in new awards and backlog. Further supporting our prospects for growth are encouraging gains in certain of our knowledge-based services offering. Both our Telecommunications and our Operations & Maintenance businesses posted strong growth during the year with continuing favorable outlooks. Early feedback from clients has been quite positive to our new Asset Management Services business unit.

As we move forward to realize our potential and achieve the financial performance that we have committed to delivering for our shareholders, we are also leveraging new information technologies and Internet applications for additional growth opportunities. A number of initiatives are underway or in development in this area.

For example, during the year, Fluor teamed with IBM to form a global business-to-business e-market named TradeMC, which will leverage our global sourcing and supply activities for improved schedule and cost efficiencies for our project procurement needs. This new venture is also expected to increasingly generate incremental revenue and earnings by providing these services to others. This new venture is the only e-commerce company serving the capital goods marketplace, by providing goods and services that are common to a variety of industries. The technology platform to execute procurement transactions is in place and is operational. One additional equity partner has joined the new venture and discussions are continuing with other interested parties.

Consolidated Backlog and Backlog Gross Margin %



Another initiative undertaken during the year was Fluor Daniel's equity participation in Citadon, the recent combination of the two leading Web-based project management platform service providers. Fluor Daniel is working with Citadon to develop a standardized industry model to drive efficiencies across the EPC industry. Fluor Daniel has already begun executing projects utilizing the system which enhances the company's ability to manage complex projects, reduce risk and create accountability. Additionally, it increases adherence to established work processes for improved execution schedules, cost efficiency and greater value to clients.

A third Web-based business was launched in December 2000, called GlobEquip, designed to facilitate the sale of surplus heavy construction and mining equipment to high-demand regions of the world. Leveraging AMECO's logistical support capabilities and linkage to the global equipment market, Fluor's strategic partners in the new venture include Citibank, which will provide global banking services, and Stukes-Atwood, which will provide commodity exchange services.

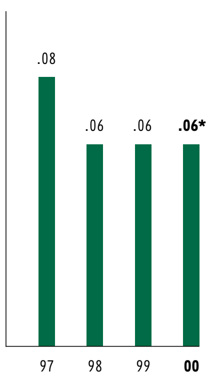
Commitment to Safety and Social Responsibility

Fluor's dedication to value creation encompasses its long-standing commitment to safety and to being a good corporate citizen.

Safety remains a core value at Fluor and is a clear competitive differentiator for the company. Long recognized as the safest contractor in the world, Fluor met or exceeded expectations in all safety performance measurement categories. Record lows were achieved during the year in the number of lost workdays and total recordable cases, as well as in the number of workers' compensation claims. In addition to the distinct value that providing a safe working environment represents for our employees, clients and subcontractors, Fluor's excellent safety performance provides tangible financial returns through reduced workers' compensation expenses and lower insurance rates.

Fluor Safety Performance

(lost workday incidence rates)



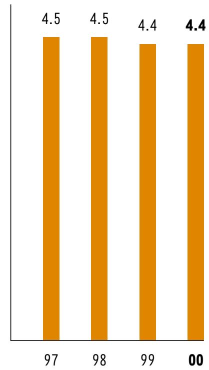
**55 times better than the national industry average.*

Fluor's commitment to safety excellence on its projects around the world continues to set the standard for global construction safety. We incorporate leading-edge approaches to injury prevention and management. Every year, we challenge ourselves to attain improving performance in all aspects of safety.

Fluor also has a long tradition of charitable giving and service to the communities in which we work. Since the creation of the Fluor Foundation in 1952, Fluor has contributed more than $85 million to education, community and cultural organizations throughout the world. Our people also annually add their contributions through United Way and our Matching Gifts Program. We take great pride in our employees' participation in their communities through the volunteering of their time and knowledge, a tradition which was strengthened in 1976 with the formation of the Fluor Community Involvement Team. Additionally, Fluor has a number of programs which actively support various education and human services initiatives.

Fluor Foundation Contributions

($ in millions)



Summary

In 2000, Fluor made significant progress in implementing its new strategic direction, strengthening the company's execution platform and expanding into new service markets that offer meaningful growth prospects. The new Fluor is well positioned to capitalize on diverse opportunities in a favorable global marketplace. Initiatives that have been successfully completed or are currently underway should further enhance our competitive position.

As we move forward, the knowledge and dedication of our people will enable us to create increasing value for clients. We will continually look for new ways to leverage our extensive intellectual capital, creating new businesses, capitalizing on opportunities in the new economy and delivering differentiated value to all of Fluor's stakeholders.

Fluor Daniel

Alan L. Boeckmann
President and
Chief Executive Officer
Fluor Daniel

Fluor Daniel made significant progress during the year toward achieving its goals for improved performance and profitability. Implementation of a rigorous business model methodology, along with substantial actions to enhance its project execution platform, has positioned the company for meaningful improvement.

Importantly, while backlog remained essentially level with a year ago at $6.7 billion, increased selectivity produced a 32 percent improvement in backlog gross margin. New awards for the year increased 28 percent to $6.1 billion, and the outlook is for continued strengthening across Fluor Daniel's target markets.

However, Fluor Daniel's financial performance was impacted by a cost overrun on a lump-sum power project, which reduced earnings by $60 million. Despite this disappointment, selected risk projects offer significant opportunity for improved profitability. Fluor Daniel has placed the highest priority on enhancing its systems and capabilities to capitalize on these opportunities, while mitigating the potential for negative surprises. For 2000, Fluor Daniel's operating profit was $128 million, compared with $160 million in 1999.

Market conditions are showing distinct improvement. The global economic outlook continues to be favorable, and oil and commodity prices have strengthened, providing clients with increased cash flow for new capital projects. The strengthening outlook for new awards, along with a sharp rise in front-end studies, is providing a strong signal for future growth in backlog and earnings.

Energy & Chemicals

During the year, Fluor Daniel took action to leverage synergies across common clients and reduce its operating cost structure by combining its chemicals business with the Oil, Gas & Power unit. Renamed Energy & Chemicals, it serves the upstream production, refining, power generation and chemical markets. This consolidation increases efficiencies by leveraging resources and skill sets that are commonly needed to execute projects across these diverse industries. It also reduces vulnerability to business cycles through greater resource sharing across a broader scope of market opportunities.

Conditions strengthened in the traditional energy market in the second half of the year, with rising oil prices and improving global economic activity. The domestic power market remained strong, and the petrochemicals market is beginning to show signs of renewed activity. Many new projects will be large, complex and often in geographically challenging locations. These are precisely the kinds of projects where Fluor Daniel's global reach, scale and historical execution experience provide differentiated capability and value.

Recovery of the upstream market for new oil and gas production continued in 2000, with several significant projects emerging. Fluor Daniel has been active on major pipeline projects and, more recently, has established an Offshore Services Division to expand participation in this growing market.

Environmental regulations, primarily in North America and Europe, are driving significant investment in the downstream refining market, where Fluor Daniel's experience and technological expertise position it as a leader in these clean fuels projects. The company is providing these services at one of the largest oil refineries in Germany, enhancing its competitive position for additional work in Europe. In addition, Fluor Daniel is a significant participant in the development of several oil sands projects in Canada and is the lead

EPC contractor for a $1 billion crude oil upgrader project in Venezuela.

Duke/Fluor Daniel, our joint venture company serving the power industry, has established clear leadership in this rapidly growing market fueled by strong demand for new power generating capacity, primarily in the U.S. The outlook for new awards remains strong, with many projects being negotiated on a sole source basis.

Robust economic growth during the past two years, combined with the effect of rising oil prices, is beginning to stimulate early signs of recovery in the chemicals market. In particular, Fluor Daniel received a project management award for a major petrochemical project in China and was named managing contractor for another significant petrochemical project in the Middle East, with additional project opportunities continuing to develop.

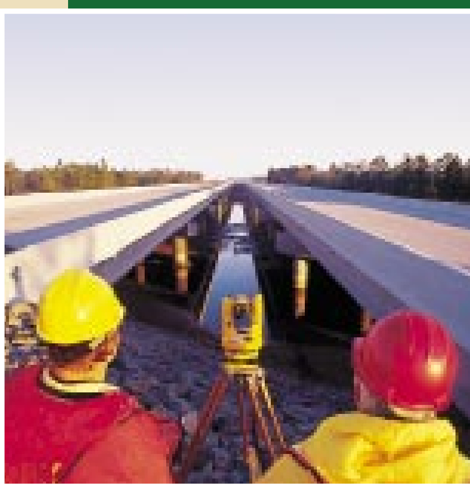
Infrastructure

Fiscal 2000 was an extremely active proposal and development period for Fluor Daniel's Infrastructure

Fluor Daniel's first project executed in the Czech Republic is expected to be complete two months ahead of schedule and has already achieved more than 2 million safe manhours. Under a lump sum contract, Fluor Daniel is constructing a hydroprocessing complex for Ceska Rafinerska a.s. where integration of multiple process technologies has substantially reduced costs.

Fluor Daniel, one of the nation's leading developers of turnkey transportation projects, is responsible for development, design, and construction of the 28-mile Conway Bypass. This is the first highway project in South Carolina to use a design-build approach. The initial segment was opened 17 months ahead of schedule.

Duke/Fluor Daniel provided complete turnkey engineering, procurement, construction and commissioning services for a 500-megawatt combined-cycle generating facility in Edinburg, Texas. This state-of-the-art merchant facility, operational on June 10, 2000, will play a major role in helping meet the rapidly growing Rio Grande Valley's demand for electricity.



business unit. We are well positioned in the early stages of a long-term infrastructure expansion cycle in the U.S. and the U.K.

Two years ago, the U.S. Federal Government enacted a $200+ billion transportation funding bill called TEA 21, which is now generating a high level of activity across the U.S., particularly in the area of large, complex design/build projects where the unit has proven so successful in recent years. In late June, Fluor Daniel completed the first segment of the Conway Bypass project significantly ahead of schedule.

Additionally, the U.K. is embarking on a major upgrade and expansion program for its national rail network. As a result, our current contract to provide program management services to Britain's Railtrack is being expanded to further assist them in accelerating their £40+ billion program. In addition, a number of significant rail projects in the U.K. and Europe, which are using the public/private partnership model successfully employed by Fluor Daniel are continuing to move ahead. The Infrastructure unit has expanded its presence in Europe to respond to these increasing opportunities.

In September 2000, Fluor Daniel completed its assignment on the Inchon Airport in Korea and began work on another major expansion of the JFK International Arrivals Terminal in New York. Additional opportunities for airport terminal projects in the U.S. and Asia are under evaluation.

Manufacturing & Life Sciences

During the year, Fluor Daniel's Life Sciences and Manufacturing units were consolidated to leverage the resources of both organizations, achieve new efficiencies, and create a solid platform for future growth. This consolidation capitalizes on synergies with the unit's specialized construction management expertise for pharmaceutical and biotechnology facilities and augments its EPC services to the microelectronic, foods and beverage, and consumer products industries. Employing a new account management process, Manufacturing & Life Sciences focused on establishing strong key client relationships in targeted markets. The unit's fundamental value proposition is the delivery of early certainty for function, cost and schedule.

A significant project during the year was the Pfizer Global Development Facility in New London, CT. When completed, this new world-class $270 million facility will be the center of Pfizer's worldwide regulatory compliance activities. Leading-edge technology will course through the entire building, facilitating a fast-paced, discovery-fueled environment. This business unit also selectively executes sophisticated commercial and institutional projects such as the publicly celebrated Aladdin Hotel and Casino in Las Vegas — a $1.4 billion rebuild which was completed on schedule in August.

Establishing itself as one of the top three service providers in the high-growth microelectronics market, Fluor Daniel is now a preferred EPC contractor for the world's largest semiconductor manufacturers. In 2000, evergreen contracts for three key clients accounted for a significant increase in business volume, with services primarily focused on installing advanced toolsets for new, state-of-the-art manufacturing facilities.

A long-time leader in serving biotechnology customers, Fluor Daniel's preeminent skill base also provides a solid offering to its pharmaceutical clients who are increasingly moving into the biotechnology arena. Fluor Daniel successfully focused its efforts on establishing a firm base with three key pharmaceutical clients during 2000. Particular emphasis was placed on the secondary market for "fill and finish," where a high level of technological expertise is required.

Mining

Following a year of restructuring, downsizing and refocusing in 1999, Fluor Daniel's Mining unit achieved an impressive turnaround in 2000, with a return to profitability and a solid increase in backlog. It successfully completed the world's largest grassroots copper mining facility, located in Indonesia.

Improving commodity prices and increasing global economic growth is continuing to support a long-term recovery in mining. Consolidation of mining companies into fewer but larger organizations has dampened near-term growth in new investment. However, it is also driving a new mindset in the industry aimed at reducing cyclicality and closer partnering with contractors, particularly as clients reduce the level of their in-house capabilities. Discussions are underway with a number of clients regarding the formation of strategic alliances.

Fluor Constructors International

Fluor Constructors International, Inc. (FCII) is the union craft arm of Fluor Corporation, providing construction management and direct-hire construction expertise to Fluor Daniel and other companies in North America. Additionally, FCII staffs international projects and has employees working around the world.

FCII has executed projects in virtually every business sector, performing stand-alone construction and providing maintenance services to clients in the United States and Canada. The company has served a diverse range of government agencies as well. FCII is one of only a few construction and maintenance contractors to be ISO-9002 certified.

Fluor Daniel Operating Statistics

Year ended October 31, (in millions)	2000	1999	1998
Revenues	$6,998	$8,403	$ 9,736
Customer-furnished material included in revenues	2,009	3,125	3,916
Work performed	$6,998	$8,403	$ 9,736
Gross margin percent	5.1%	5.7%	4.8%
Operating profit	$ 128	$ 160	$ 161
New awards	$6,075	$4,757	$ 8,173
New awards gross margin percent	6.9%	7.2%	6.0%
Backlog	$6,730	$6,770	$10,403
Backlog gross margin percent	6.1%	4.6%	4.0%
Salaried employees	12,347	18,147	24,060

Backlog by Strategic Business Unit (SBU)

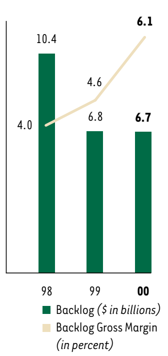
	2000		1999		1998	
Year ended October 31, (in millions)	Dollars	Percent	Dollars	Percent	Dollars	Percent
Energy & Chemicals	$4,356	65%	$4,124	60%	$ 5,752	55%
Manufacturing & Life Sciences	1,078	16%	1,592	24%	2,261	22%
Mining	964	14%	658	10%	1,890	18%
Infrastructure	332	5%	396	6%	500	5%
Total backlog	$6,730	100%	$6,770	100%	$10,403	100%

Backlog by Region

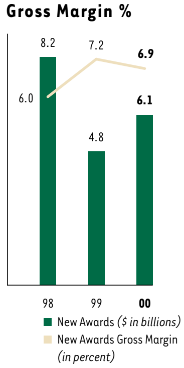
	2000		1999		1998	
Year ended October 31, (in millions)	Dollars	Percent	Dollars	Percent	Dollars	Percent
United States	$2,968	44%	$2,870	42%	$ 3,942	38%
Asia Pacific (includes Australia)	526	8%	780	12%	2,018	19%
EAME*	448	7%	1,062	16%	2,003	19%
Americas	2,788	41%	2,058	30%	2,440	24%
Total backlog	$6,730	100%	$6,770	100%	$10,403	100%

**EAME represents Europe, Africa and the Middle East.*

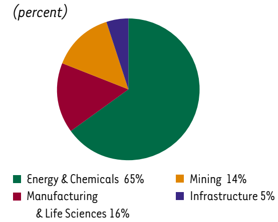
Fluor Daniel Backlog & Backlog Gross Margin %



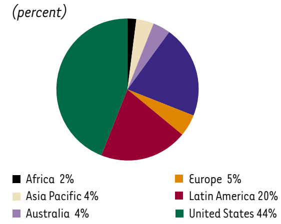
Fluor Daniel New Awards & New Awards Gross Margin %



Fluor Daniel 2000 Backlog by SBU
(percent)



Fluor Daniel 2000 Backlog by Region
(percent)



Fluor Global Services

James C. Stein
President and
Chief Executive Officer
Fluor Global Services

During 2000, Fluor Global Services (FGS) refined its longer term strategic plan for enhanced profitability and growth, and for achieving its goal to become the world's premier assets solutions company by broadening participation across the entire life cycle of its clients' capital asset base. FGS implemented several actions during the year to strengthen alignment of its portfolio of services to support its strategic direction and financial goals.

Three key actions were taken during the year. First, after extensive review of AMECO's existing services, it was concluded that AMECO's Site and Fleet Services had strong synergy with FGS' strategic direction and financial objectives. Based on this review, the U.S. dealership operations of AMECO were separated and a decision was made to exit this business. Secondly, TRS Staffing Services was determined to have a better strategic fit with Fluor Signature Services (FSS) and an organizational realignment to capitalize on the synergies between TRS' staffing capabilities and FSS' business and administrative services was implemented effective November 1, 2000.

Lastly, the strategic business units that provide complementary asset solution services will be managed under the leadership of a newly created chief operating officer position to capitalize on cross-selling opportunities and to integrate their respective sales and marketing strategies. These units include Operations & Maintenance, Fluor Federal Services, Property Services and AMECO Site & Fleet Management Services. Given their distinctive markets and services, Telecommunications and the new Asset Management Services business units will focus on maximizing their individual market opportunities.

FGS operating profit for fiscal 2000 was $121 million, excluding a nonrecurring charge of $19 million related to disposition of a European consulting business, and a $25 million charge to adjust the accounts receivable and equipment inventory to fair value of the dealership operations of AMECO, which are being divested. This compares to operating profits of $92 million last year, or an increase of 32 percent.

New awards for FGS increased 76 percent to $3.6 billion, up from $2.0 billion in 1999. FGS backlog rose 38 percent to $3.3 billion from $2.4 billion a year ago, with gross margin in backlog increasing to 6.3 percent from 6.1 percent last year.

Telecommunications

Following a solid turnaround in 1999, the Telecommunications unit delivered significant earnings growth in 2000. New awards were $1.1 billion, a 70 percent increase over the previous year's strong performance.

Having established itself as a leading provider of program management services to the telecommunications industry, the unit took additional steps during the year to further enhance its prospects for long-term growth. The Telecommunications unit reconfigured its market focus along four distinct business lines: Wireline Networks; Wireless Networks, Enterprise Networks; and Installation and Maintenance. These business lines compliment recognized industry segments which collectively represent the full scope of the telecommunications market.

Building on its successful account management approach, the Telecommunications unit is focused on expanding its base of well capitalized target clients with long-term programs in each of its four business lines. The intent is to build a sustainable growth platform through creation of a business portfolio based on multiple markets in order to mitigate reactive market conditions and technology cycles.

Telecommunications' newest market segment, Installation and Maintenance, leverages relationships in each of the other business lines and provides a recurring revenue stream for added growth and stability.

Operations & Maintenance

FGS' Operations & Maintenance (O&M) business unit is a leading provider of innovative performance and cost reduction solutions to plants and facilities worldwide. Capitalizing on the strong trend toward client outsourcing of O&M services, the unit is executing a strategy to continually migrate up the value chain from supplemental maintenance to total maintenance and operational services. As clients embrace the outsourcing approach, they are increasingly looking for service providers that can take on greater responsibility and

Spent Nuclear Fuel Project workers remove grating over the spent fuel pool at the Department of Energy's Hanford K West Basin site in Washington, in order to install new equipment. Reflecting Fluor's commitment to safety, since December 1999 Project Hanford has achieved more than 10 million safe work hours without a Lost Workday Case.

The Operations & Maintenance group performs small capital project work for a primary aluminum producer. The Midwest facility was brought into new environmental regulation compliance once O&M defined the project, recommended a course of action, obtained funding on the clients behalf, and executed detailed engineering, procurement and construction management.

Fluor was awarded the program management contract to deploy a fiber-optic network in 13 western U.S. cities for Level 3 Communications. Through September 2000, Fluor Telecommunications completed 6.7 million linear feet of engineering, obtained 6.1 million linear feet of permits, and completed in excess of 5.5 million linear feet of construction for this project.

respond to their needs across multiple sites. Fluor's size and global scope, along with the latest technologies, best practices and management expertise is creating greater value for customers through reduced operating costs and improved plant performance. By structuring compensation to be strongly performance based and sharing in the savings achieved, profitability is enhanced for both Fluor and its customers. New awards in FY 2000 totaled $1.7 billion, up from $772 million last year.

Fluor Federal Services

Fluor Federal Services (FFS) is a leading service provider to the U.S. Federal Government. Substantial success was achieved in fiscal 2000 with two key project awards for the Department of Energy (DOE) totaling more than $5.6 billion, which will be booked in annual installments over the course of each contract.

Having successfully performed on the first seven years of its initial contract with the DOE as prime contractor for remediation of the former nuclear weapons site in Fernald, Ohio, FFS was awarded a 10-year contract for the closure of the site, valued at approximately $2.4 billion. Additionally, FFS was awarded a $3.16 billion contract extension by the DOE for five additional years at the Hanford site in Washington state.

In addition to Fluor's strong position in the DOE market, FFS is pursuing other identified government market opportunities, including the Department of Defense and other federal agencies, where its capabilities offer a competitive advantage and differentiated value.

AMECO

During the year, it was concluded that AMECO's Site and Fleet Services had strong growth potential and business synergy with FGS' strategic direction to provide total asset solutions. Focusing on this strategy and to improve our return on assets, AMECO's U.S. dealership operations are being divested.

AMECO Site Services provides a comprehensive equipment, tool and service program for capital construction sites and maintenance projects. AMECO's Fleet Services capitalizes on the growing trend toward outsourcing by providing equipment, tool and fleet management services to the heavy industrial, power and government markets.

Increased alignment of existing services to support FGS' strategic direction and value proposition to clients, along with a more integrated approach to cross-selling its full complement of services, is providing good growth potential for the AMECO Site and Fleet Services unit.

Asset Management Services

FGS created a new strategic business unit during the year focused on providing a compelling value proposition to clients and moving towards its strategic vision to be a premier provider of asset management solutions. Competitive pressures and shareholder expectations are driving clients to refocus their resources on achieving improvements in their core competencies while seeking innovative solutions to outsourcing of non-strategic activities and the decapitalization of their asset base.

FGS' new Asset Management unit leverages Fluor's world-class capabilities, along with strategic partners, to address a rapidly growing market for a comprehensive approach to asset management services.

Following extensive market assessment and target market identification, the new business unit is now executing its business development plan, and is receiving significant interest from targeted clients. Key target markets include consumer products, health care and technology-related manufacturing facilities where new product development, brand management and effective sales and marketing are the key drivers of their business success.

Asset Management's value proposition to clients has three key elements. First, by structuring and facilitating off-balance sheet financing for non-core assets, significant client capital can be liberated for reinvestment in higher return core assets. Secondly, by combining FGS' industry-leading operations and maintenance services, Fluor Daniel's knowledge, and our various partners' operating knowledge, operating efficiencies and asset productivity increases can be achieved, providing assurance to clients that their product is being produced with world-class manufacturing expertise in both cost and quality. Third, and of important value, is that a significant amount of the clients' management time is freed and can be redirected to focus on the critical value drivers of their business.

Property Services

Property Services is a newly formed strategic business unit which combines FGS resources of Global Location, Site Acquisition, and Facilities Management Services into a single unit to achieve increased focus on developing synergies in these activities. Property Services assists clients in maximizing the value of their real estate holdings by providing professional advisory and management services in securing, managing and disposing of their real estate.

Fluor Global Services Operating Statistics

Year ended October 31, (in millions)	2000	1999	1998
Revenues	$2,953	$2,931	$2,641
Work performed	$2,232	$2,055	$1,857
Gross margin percent	9.9%	9.4%	11.2%
Operating profit	$ 77	$ 92	$ 81
New awards	$3,569	$2,032	$1,819
New awards gross margin percent	6.8%	7.8%	7.6%
Backlog	$3,282	$2,372	$2,242
Backlog gross margin percent	6.3%	6.1%	6.4%
Salaried employees	7,563	6,011	5,554

Backlog by Strategic Business Unit (SBU)

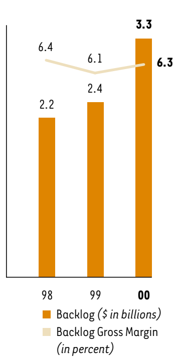
	2000		1999		1998	
Year ended October 31, (in millions)	Dollars	Percent	Dollars	Percent	Dollars	Percent
Operations & Maintenance	$1,571	48%	$1,127	48%	$1,217	54%
Telecommunications	946	29%	525	22%	135	6%
Fluor Federal Services	765	23%	710	30%	781	35%
Consulting Services and Other	—	—%	10	—%	109	5%
Total backlog	$3,282	100%	$2,372	100%	$2,242	100%

Backlog by Region

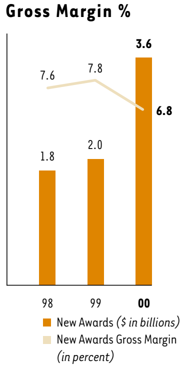
	2000		1999		1998	
Year ended October 31, (in millions)	Dollars	Percent	Dollars	Percent	Dollars	Percent
United States	$2,712	83%	$2,137	90%	$1,979	88%
Asia Pacific (includes Australia)	156	5%	218	9%	243	11%
EAME*	414	12%	12	1%	9	0%
Americas	0	0%	5	0%	11	1%
Total backlog	$3,282	100%	$2,372	100%	$2,242	100%

**EAME represents Europe, Africa and the Middle East.*

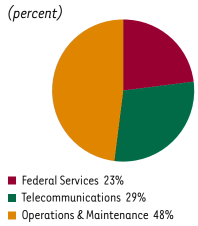
Fluor Global Services Backlog & Backlog Gross Margin %



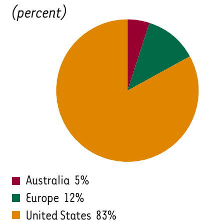
Fluor Global Services New Awards & New Awards Gross Margin %



Fluor Global Services 2000 Backlog by SBU
(percent)



Fluor Global Services 2000 Backlog by Region
(percent)



Fluor Signature Services

James O. Rollans
President and
Chief Executive Officer
Fluor Signature Services

Fluor Signature Services (FSS) has successfully completed its first year of operation as the shared services enterprise within Fluor Corporation. The organization's charter is to provide business administrative services to multiple operating units within Fluor as well as businesses outside of Fluor Corporation. This concept has facilitated streamlining of operations and is now providing services in a more cost-effective manner. By looking to FSS for the necessary support and business services, Fluor's operating units have the opportunity now to focus all of their energy on their core businesses.

The goals FSS attained in the Year 2000 include:

- Successfully implemented shared services model ahead of schedule
- Significantly reduced Fluor's overhead costs
- Standardized computing platforms to increase efficiency and reduce costs
- Implemented Fluor's Enterprise Resource Management system, SAP, to select U.S. Finance and Human Resources systems
- Delivered more efficient and cost-effective services to our customers
- Achieved break-even performance in our first year of operation

To help engage Fluor Signature Services' members in this new business, a vision and mission was created. A Balanced Scorecard was developed to link company goals with individual performance objectives.

TRS Staffing Solutions, a unit within Fluor Global Services, was aligned with FSS as of November 1, 2000, to capitalize on the synergy between the two organizations. TRS' staffing capabilities are complementary with FSS' administrative and support services, particularly in the human capital management arenas, accounting and finance, and information technology. The combined size of TRS and FSS ranks the organization as a significant player in this rapidly growing industry.

Looking ahead to 2001 and beyond, Fluor Signature Services will generate rewarding financial performance for the corporation and its stakeholders. FSS has two major objectives. First, to retain and enhance its position with internal customers by upgrading our service delivery and identifying products and technologies which will enhance capabilities and strengthen operations.

Second, Fluor Signature Services will enhance its financial contributions to Fluor through several initiatives. FSS will further reduce costs and upgrade value of services by capitalizing on an improved information technology infrastructure and further implementation of SAP. In addition, a strategy will be developed regarding much greater sales for TRS and FSS in external markets.

Due to the fact that Fluor Signature Services completed the year ahead of schedule and its financial plan, the pursuit of external sales outside of Fluor Corporation has been accelerated. The external sales strategy includes evaluating the organization's capability and competition, and developing a targeted plan to sell individual as well as integrated service offerings. The primary objective, however, remains to exceed the service expectations of Fluor customers.

Fluor Signature Services is dedicated to solidifying its position as a premier service provider. The company will continue to provide world-class products and services to its customers and leverage the knowledge and capability of its members.

The coming year promises to be an exciting and challenging one for Fluor Signature Services as it continues to evolve and provide shareholder value to Fluor Corporation.

As part of Fluor's effort to increase efficiencies and reduce costs, FSS launched the Global Pentium III Project to standardize computing platforms across the company, thereby providing more effective customer service, reducing overall IT support costs and preparing for the SAP implementation.

Fluor's leading edge approach to injury prevention and management, assists clients in attaining record lows in total lost workday and recordable cases. Safety performance is a key differentiator to clients such as NAM BV in The Netherlands, where a safety alliance among project managers and team members achieved their safety objective as Best in Class for the oil and gas industry.

To support Fluor's goal of performance improvement, the initial phase of its Enterprise Resource Management system, SAP, was implemented in 2000. Training is a key part of the implementation, including classroom and web-based training courses that allow the user to learn at their own pace and provide on-the-job performance support.

Dear Shareholder

Ralph F. Hake
Executive Vice President
and Chief Financial Officer

In 2000, Fluor Corporation continued to execute key initiatives for financial performance improvement. We closed a chapter of our history at the end of our fiscal year with the reverse spin-off of our investment in Massey Coal Company. We believed that both entities would serve their shareholders better by being stand-alone companies, and the market's initial reaction validates those beliefs.

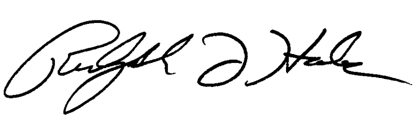
The "new" Fluor is now positioned to focus on delivering knowledge-based services to our clients and creating a financial structure that supports our business purpose. As "new" Fluor we will have a lower debt-to-capital ratio and will generate substantially greater free cash flow, after meeting all of our requirements for dividends and internal capital needs. This enables our company to invest in new initiatives or return cash to shareholders. Either way, the prospects for value creation are substantially enhanced.

"New" Fluor will continue to take the necessary portfolio actions to achieve operational improvements and enhance returns. By doing so, we expect to achieve above cost-of-capital returns during 2001, and will accomplish this by growing revenues, increasing margins and utilizing our capital more efficiently. This focus on balance sheet performance offers significant opportunity for "new" Fluor to create value in our core businesses.

Through our continued implementation of business model analysis, goal setting, and reviews with each enterprise, we have clarified our performance improvement opportunities and focused management's attention on the actions required to move our business forward. Beginning this year, we will incorporate a more rigorous and disciplined risk measurement and mitigation methodology, which will help assure that we make better risk-return tradeoffs. This systematic approach also will enable us to identify and mitigate risk earlier through a broader array of tools and capabilities.

As "new" Fluor we have raised our corporate financial targets as well. We believe that with our growth prospects and initiatives in place we should be able to achieve returns on capital employed in the 15% range and grow our trended EPS at a rate of 15% annually. We also believe that these targets, when achieved consistently, will generate substantial shareholder value.

We look forward to 2001 as a year of change and growth. As an enterprise, we succeed by serving our customers and clients superbly well, but we remain focused on the clearly defined elements of value creation that are essential to creating the company that we all envision.



Ralph F. Hake

Selected Financial Data

(in millions, except per share amounts)	2000	1999	1998	1997	1996
Consolidated Operating Results					
Revenues	$ 9,970.2	$11,334.4	$12,377.5	$13,217.5	$10,054.4
Earnings from continuing operations before taxes	142.2	76.6	222.7	119.4	280.4
Earnings from continuing operations, net	99.8	26.7	135.9	50.5	173.4
Discontinued operations, net	24.1	77.5	99.4	95.7	94.7
Net earnings	123.9	104.2	235.3	146.2	268.1
Basic earnings per share					
Continuing operations	1.33	0.35	1.73	0.61	2.10
Discontinued operations	0.32	1.03	1.26	1.15	1.14
Basic earnings per share	1.65	1.38	2.99	1.76	3.24
Diluted earnings per share					
Continuing operations	1.31	0.35	1.72	0.60	2.08
Discontinued operations	0.31	1.02	1.25	1.15	1.13
Diluted earnings per share	$ 1.62	$ 1.37	$ 2.97	$ 1.75	$ 3.21
Return on average shareholders' equity	7.7%	6.8%	14.5%	8.7%	17.4%
Cash dividends per common share	$ 1.00	$ 0.80	$ 0.80	$ 0.76	$ 0.68
Consolidated Financial Position					
Current assets	$ 1,447.8	$ 1,910.2	$ 2,277.2	$ 2,213.4	$ 1,796.8
Current liabilities	1,620.4	2,204.3	2,495.6	1,978.2	1,645.5
Working capital	(172.6)	(294.1)	(218.4)	235.2	151.3
Net assets of discontinued operations	866.2	—	—	—	—
Property, plant and equipment, net	756.8	2,223.0	2,147.3	1,938.8	1,677.7
Total assets	3,652.7	4,886.1	5,019.2	4,685.3	3,951.7
Capitalization					
Short-term debt*	253.5	247.9	430.7	88.8	67.2
Long-term debt	17.6	317.5	300.4	300.5	3.0
Shareholders' equity	1,609.2	1,581.4	1,525.6	1,741.1	1,669.7
Total capitalization	$ 1,880.3	$ 2,146.8	$ 2,256.7	$ 2,130.4	$ 1,739.9
Total debt as a percent of total capitalization	14.4%	26.3%	32.4%	18.3%	4.0%
Pro forma total debt as a percent of total capitalization**	36.7%	—	—	—	—
Shareholders' equity per common share	$ 21.24	$ 20.80	$ 20.19	$ 20.79	$ 19.93
Common shares outstanding at October 31	75.7	76.0	75.6	83.7	83.8
Other Data					
New awards	$ 9,644.2	$ 6,789.4	$ 9,991.9	$12,122.1	$12,487.8
Backlog at year end	10,012.2	9,142.0	12,645.3	14,370.0	15,757.4
Capital expenditures and acquisitions – continuing operations	284.1	277.0	304.5	340.8	258.7
Cash provided by operating activities	$ 141.8	$ 464.9	$ 702.5	$ 328.6	$ 406.9

**Includes commercial paper, loan notes, a note payable to affiliate, miscellaneous trade notes payable and the current portion of long-term debt.*

***As if the spin-off distribution had occurred on October 31, 2000.*

As discussed in the first note to the accompanying financial statements, on November 30, 2000 the shareholders approved a spin-off distribution that will separate the company into two publicly traded companies – a "new" Fluor and Massey Energy Company. The net assets of Massey Energy Company at October 31, 2000 and its results of operations for all periods presented have been reclassified and are presented as discontinued operations.

See Management's Discussion and Analysis on pages 23 to 28 and Notes to Consolidated Financial Statements on pages 33 to 44 for information relating to significant items affecting the results of operations.

Management's Discussion and Analysis

Overview

On June 7, 2000, the Board of Directors of Fluor Corporation ("Old Fluor") announced a plan to separate the company into two publicly traded companies, a "new" Fluor Corporation ("New Fluor" or the "company") and Massey Energy Company ("Massey"). The plan was approved by the shareholders and the Board of Directors of Old Fluor on November 30, 2000. The separation of the two companies was accomplished through a distribution of 100% of the common stock of New Fluor to shareholders of Old Fluor (the "Distribution"), which will represent a continuing interest in businesses to be conducted by New Fluor. As a result of the Distribution, each Old Fluor shareholder received one share of New Fluor common stock for each share of Old Fluor common stock while retaining their shares in Old Fluor, whose name was changed to Massey. As a result of the Distribution, the shares of Massey represent a continuing interest only in the coal business and other operations formerly conducted by Old Fluor's coal subsidiary, A.T. Massey Coal Company, Inc.

Prior to the Distribution, Old Fluor received a ruling from the Internal Revenue Service to the effect that the Distribution would be considered to be tax-free for Federal income tax purposes. For purposes of effecting the Distribution and governing certain of the ongoing relationships among New Fluor and Massey after the Distribution and to provide for an orderly transition, the companies entered into various agreements including, without limitation, a Distribution Agreement and a Tax Sharing Agreement. Because of the relative significance of the company's operations to Old Fluor, the company will be treated as the "accounting successor" for financial reporting purposes. Accordingly, pursuant to Accounting Principles Board Opinion ("APB") No. 30, "Reporting the Results of Operations — Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions," the consolidated financial statements have been adjusted to reflect the distribution. Massey's results of operations for all periods presented and its net assets as of October 31, 2000 have been reclassified and are presented as discontinued operations.

In connection with the separation of New Fluor and Massey, New Fluor will change to a calendar-year basis of reporting financial results. As a requirement of this change, the company will report results for November and December 2000 as a separate transition period.

The following discussion and analysis is provided to increase understanding of, and should be read in conjunction with, the consolidated financial statements and accompanying notes. For purposes of reviewing this document, "operating profit" is calculated as revenues less cost of revenues excluding: special provision; corporate administrative and general expense; interest expense; interest income; domestic and foreign income taxes; gain or loss on discontinued operations; and certain other miscellaneous non-operating income and expense items which are immaterial.

Results of Operations

As a result of a strategic reorganization initiated during 1999, the company realigned its operating units into four business segments (which the company refers to as Strategic Business Enterprises): Fluor Daniel, Fluor Global Services, Fluor Signature Services and Coal. The Fluor Daniel segment provides design, engineering, procurement and construction services on a worldwide basis to an extensive range of industrial, commercial, utility, natural resources and energy clients. The Fluor Global Services segment, which includes American Equipment Company, TRS Staffing Solutions, Fluor Federal Services, Telecommunications and Operations & Maintenance, provides outsourcing and asset management solutions to its customers. Fluor Signature Services, which commenced operations on November 1, 1999, was created to provide business administration and support services for the benefit of the company and ultimately, to unaffiliated customers. Commencing in November 2000, the operations of TRS Staffing Solutions were transferred to Fluor Signature Services. The Coal segment, which is reported as discontinued operations and is now part of Massey, produces, processes and sells high-quality, low-sulfur steam coal for the utility industry as well as industrial customers, and metallurgical coal for the steel industry.

To implement the 1999 strategic reorganization, the company recorded a special provision of $117.2 million in 1999 and reversed $17.9 million of that provision in 2000 – see Strategic Reorganization Costs elsewhere in Management's Discussion and Analysis. The provision and subsequent adjustment were not allocated to the business segments.

Fluor Daniel Segment

The business units of Fluor Daniel were reorganized during 2000 and are presented on the new basis for each of the three years ended October 31, 2000.

Total 2000 new awards were $6.1 billion compared with $4.8 billion in 1999 and $8.2 billion in 1998. The following table sets forth new awards for each of the segment's business units:

	2000		1999		1998	
Year ended October 31,	Dollars	Percent	Dollars	Percent	Dollars	Percent
(in millions)						
Energy & Chemicals	$3,923	65%	$3,363	70%	$4,756	58%
Manufacturing & Life Sciences	1,292	21%	1,232	26%	2,455	30%
Mining	691	11%	26	1%	464	6%
Infrastructure	169	3%	136	3%	498	6%
Total new awards	$6,075	100%	$4,757	100%	$8,173	100%
United States	$2,983	49%	$2,267	47%	$4,112	37%
International	3,092	51%	2,490	53%	4,061	63%
Total new awards	$6,075	100%	$4,757	100%	$8,173	100%

New awards in 2000 were higher compared with 1999 as the principal result of a strengthening business environment. New awards in 1999 were lower compared with 1998, reflecting both the lingering impact of deferred capital spending by clients, primarily in the petrochemical and mining industries, and the company's emphasis on greater project selectivity. The large size and uncertain timing of complex, international projects can create variability in the company's award pattern; consequently, future award trends are difficult to predict with certainty. However, given the continuing strength of the global economic environment, including higher oil prices and increasing commodity prices, as well as a regulatory environment that continues to support increased investment in areas such as clean fuels, the company is optimistic about the level of new awards in 2001.

Since 1998 the trend in new awards activity within each business unit reflects the impact of the economic conditions and operating strategies noted above. New awards for 2000 include the $800 million Hamaca crude oil upgrading project in Venezuela. There were no individual new awards in excess of $600 million in either of the years 1999 or 1998. In the fourth quarter of 2000, growth in new awards was concentrated in the Energy & Chemicals and Manufacturing & Life Sciences business units. The Mining business unit's new awards in 1999 and 1998 had been reduced by depressed commodity prices, thereby limiting new projects, as well as this unit's focus on project selectivity. The trend began to reverse during 2000, with a substantial increase in new awards. The decrease in new awards in 1999 compared with 1998 for the Manufacturing & Life Sciences business unit is primarily the result of an increased focus on project selectivity.

Backlog at October 31, 2000, 1999 and 1998 was $6.7 billion, $6.8 billion and $10.4 billion, respectively. (See page 14 in this annual report for information relating to backlog by business unit.) The backlog level has stabilized during 2000 as a result of the higher level of new awards compared with 1999. The decrease in total backlog at the end of 1999 was consistent with substantially lower new awards during that year. Work performed on existing projects has exceeded new awards in each of the years 2000, 1999 and 1998, although the disparity was much less in 2000. The decrease in backlog from projects located outside the United States during 1999 resulted from work performed on international projects such as a copper and gold mine in Indonesia and a petrochemical project in Saudi Arabia, in addition to a 39 percent decrease in international-related new awards. Domestic backlog was also impacted during 1999 by lower new awards and work performed on existing projects. The relationship of domestic versus international backlog has remained relatively stable during all of the years 1998 through 2000, with international backlog constituting approximately one-half of total backlog. Although backlog reflects business which is considered to be firm, cancellations or scope adjustments may occur. Backlog is adjusted to reflect any known project cancellations, deferrals and revised project scope and cost, both upward and downward.

Fluor Daniel revenues decreased to $7.0 billion in 2000 compared with $8.4 billion in 1999 and $9.7 billion in 1998, reflecting the impact of lower new awards in 1999 and the company's focus on project selectivity. Fluor Daniel operating profit was $128 million (1.83% of revenues) in 2000, $160 million (1.91% of revenues) in 1999 and $161 million (1.65% of revenues) in 1998. Margins have increased in response to greater project selectivity and execution, as well as improved overhead cost management. However, such margin improvements have been offset (in fiscal year 2000) or reduced (in fiscal year 1999) by loss provisions on specific projects.

Operating profit during 2000 was adversely impacted by a provision totaling $60 million, or 0.86% of the segment's revenues for the year, on a Duke/Fluor Daniel joint venture project that is located in Dearborn, Michigan. The provision represents the company's equal share of the cost overruns on the project that were incurred due to a number of adverse factors, including labor productivity and substantial owner delays and scope of work changes. Results for the year ended October 31, 1999 for Fluor Daniel include a provision totaling $84 million for process design problems which arose on its Murrin Murrin Nickel Cobalt project located in Western Australia. The company anticipates recovering a portion of this amount and, accordingly, has recorded $64 million in expected insurance recoveries. The result on operating profit was a negative $20 million impact, or 0.24% of the segment's revenues for 1999, reflecting costs in excess of contract maximums and which are not otherwise recoverable from any insurance coverage.

The majority of Fluor Daniel's engineering and construction contracts provide for reimbursement of costs plus a fixed or percentage fee. In the highly competitive markets served by this segment, there is an increasing trend for cost-reimbursable contracts with incentive-fee arrangements and fixed or unit price contracts. In certain instances, Fluor Daniel has provided guaranteed completion dates and/or achievement of other performance criteria. Failure to meet schedule or performance guarantees or increases in contract costs can result in non-recoverable costs, which could exceed revenues realized from the project. Fluor Daniel continues to focus on improving operating margins by enhancing selectivity in the projects it pursues, lowering overhead costs and improving project execution.

Fluor Global Services Segment

Total 2000 new awards were $3.6 billion compared with $2.0 billion in 1999 and $1.8 billion in 1998. The following table sets forth new awards for each of the segment's business units:

	2000		1999		1998	
Year ended October 31,	Dollars	Percent	Dollars	Percent	Dollars	Percent
(in millions)						
Operations & Maintenance	$1,660	47%	$ 772	38%	$1,106	61%
Telecommunications	1,099	31%	646	32%	30	2%
Fluor Federal Services	800	22%	582	29%	451	25%
Consulting Services and Other	10	—%	32	1%	232	12%
Total new awards	$3,569	100%	$2,032	100%	$1,819	100%
United States	$2,961	83%	$1,928	95%	$1,523	84%
International	608	17%	104	5%	296	16%
Total new awards	$3,569	100%	$2,032	100%	$1,819	100%

New awards were dramatically higher in 2000, evidencing a strong first full year of operations for Fluor Global Services as a separate Strategic Business Enterprise of Fluor. The Operations & Maintenance business unit has capitalized on the growing trend toward outsourcing of non-core activities, offering its customers improved performance at a lower cost. The Telecommunications unit supports the continuing evolution of that industry and has been selected to manage a number of large domestic and international projects. New awards in 1999 were higher compared with 1998, principally as a result of an increase in telecommunications projects. Because of the nature of the services performed by Fluor Global Services, primarily related to American Equipment Company (AMECO) and TRS Staffing Solutions, a significant portion of this segment's activities are not includable in backlog.

Backlog at October 31, 2000, 1999 and 1998 was $3.3 billion, $2.4 billion and $2.2 billion, respectively. (See page 18 in this annual report for information relating to backlog by business unit.) The increase in total backlog is consistent with the increasing trend in new awards. Although backlog reflects business that is considered to be firm, cancellations or scope adjustments may occur. Backlog is adjusted to reflect any known project cancellations, deferrals and revised project scope and cost, both upward and downward.

Fluor Global Services revenues increased to $3.0 billion in 2000 compared with $2.9 billion in 1999 and $2.6 billion in 1998. Revenue gains by the Telecommunications and Operations & Maintenance business units during 2000 more than offset declines experienced by the other business units. The increase in revenues during 1999 resulted from higher revenues in its AMECO, Fluor Federal Services and Telecommunications business units. Operating profit for the segment was $77 million in 2000 (2.61% of revenues), $92 million in 1999 (3.14% of revenues) and $81 million in 1998 (3.07% of revenues). The 2000 operating profit includes a $25 million charge relating to an adjustment of the fair value of accounts receivable, equipment inventory and certain other assets of AMECO's dealership operations and a $19 million charge relating to the write-off of certain assets and a loss on the sale of a European-based consulting business. Excluding these 2000 impacts, operating profit increased to $121 million (4.10% of revenues), reflecting higher project gross margins and reductions in overhead compared with the $92 million operating profit for 1999. Operating profit increased in 1999 compared with 1998 primarily due to the elimination of certain unprofitable operations which negatively impacted 1998 results.

The majority of Fluor Global Services' contracts provide for reimbursement of costs plus a fixed or percentage fee. Due to intense competitive market conditions, there is an increasing trend for contracts with incentive-fee arrangements or fixed or unit price contracts. In certain instances, contracts provide guaranteed completion dates and/or achievement of other performance criteria. Failure to meet schedule or performance guarantees or increases in contract costs can result in non-recoverable costs, which could exceed revenues realized from the project.

In October 1998, the company entered into an agreement to sell its ownership interest in Fluor Daniel GTI, Inc. ("FD/GTI"), an environmental services company. Under terms of the agreement, the company sold its 4,400,000 shares in FD/GTI for $8.25 per share, or $36.3 million in cash, on December 3, 1998. This transaction did not have a material impact on the company's results of operations or financial position.

Fluor Signature Services Segment

The Fluor Signature Services segment, which was created to provide business and administrative support services to the operating units with distinct profit-and-loss accountability, officially began operations at the start of fiscal 2000. External revenues during the year totaled $18.9 million. The segment surpassed its goal of break-even performance during its first year of operations, reporting a modest operating profit of $1.4 million.

Strategic Reorganization Costs

As noted above, during 1999 the company reorganized its engineering and construction operations. The company recorded a special provision of $117.2 million ($100.5 million after-tax) to cover direct and other reorganization related costs, primarily for personnel, facilities and asset impairment adjustments. The provision was initially recorded during the second quarter of 1999 at the then estimated amount of $136.5 million ($119.8 million after-tax). Total estimated personnel costs associated with the reorganization were reduced during the fourth quarter of 1999 as both the actual number of employee terminations as well as the cost per employee termination were lower than originally estimated. In the second quarter of 2000, $17.9 million of the special provision was reversed into earnings as a result of the company's decision to retain ownership and remain in its current office location in Camberley, U.K.

Under the reorganization plan, approximately 5,000 jobs were eliminated. The provision included amounts for personnel costs for certain affected employees that were entitled to receive severance benefits under established severance policies or by government regulations. Additionally, outplacement services were provided on a limited basis to some affected employees. The provision also included amounts for asset impairment, primarily for property, plant and equipment; intangible assets (goodwill); and certain investments. The asset impairments were recorded primarily because of the company's decision to exit certain non-strategic geographic locations and businesses. The carrying values of impaired assets were adjusted to their current market values based on estimated sale proceeds, using either discounted cash flows or contractual amounts. Lease termination costs were also included in the special provision. The company closed 15 non-strategic offices worldwide and downsized other office locations.

The special provision liability as of October 31, 2000 totaled $12.6 million. The remaining liability for personnel costs ($9.7 million) relates to non-U.S. operations and is expected to be substantially utilized by December 31, 2000. The remaining liability associated with abandoned lease space ($2.9 million) is being amortized as an offset to lease expense over the remaining life of the respective leases starting on the dates of abandonment.

Other

Net interest expense for continuing operations in 2000 increased by $12.5 million compared with 1999 as the combined result of higher interest rates for commercial paper, lower cash balances and higher debt balances to support working capital needs. Net interest expense for 1999 increased by $8.3 million compared with 1998 due to an increase in interest expense resulting from higher average outstanding short-term borrowings used to fund the company's 1998 share repurchase program, combined with lower average cash balances outstanding during the year.

Corporate administrative and general expense for the year ended October 31, 2000 was $65.3 million compared with $55.4 million for 1999 and $22.6 million for 1998. The 2000 increase is the net result of several factors. Development costs associated with the company's knowledge management and global sales development programs increased expenses significantly. Costs related to the company's Enterprise Resource Management System, *Knowledge@Work*℠, totaled $25.8 million in 2000 compared with $7.8 million during 1999, when the project was started. The Global Business Development Organization had expenditures during 2000 of $18.8 million. Higher expenses in these areas were partially offset by the reversal of previously recorded long-term (stock-based) incentive compensation expense as a result of declines in trading prices of Fluor Corporation stock during the year. Corporate administrative and general expense increased in 1999 compared with 1998 due to the commencement of the *Knowledge@Work* implementation, costs associated with the company's strategic business planning effort, and higher executive severance and recruiting costs. In addition, expenses for 1998 included a credit of approximately $10 million related to a reversal of a previously accrued long-term incentive plan for which the performance target was not met.

The effective tax rates of the company's continuing operations, exclusive of the impact of the special provision in each year and the non-recurring charges in 2000 for the disposition of the European-based consulting business and the $25 million loss provision recorded with respect to the AMECO dealerships, were 29.8 percent, 34.4 percent and 39.0 percent, for the years 2000, 1999 and 1998, respectively. The 2000 tax rate benefited from a favorable tax settlement which represents approximately 1.8 percent of pretax earnings from continuing operations exclusive of special non-recurring items.

Coal Segment — Discontinued Operations

Revenues and operating profit from Coal operations in 2000 were $1.09 billion and $105 million, respectively, compared with $1.08 billion and $147 million, respectively, in 1999. Revenues and operating profit in 1998 were $1.13 billion and $173 million, respectively.

Revenues remained essentially unchanged in 2000 compared with 1999. The volume of steam coal sold increased 14 percent during the year. However, the volume of the higher priced metallurgical coal decreased 6 percent during that same period. Additionally, the realized prices for both steam and metallurgical coal declined during 2000, by approximately 5 percent each. The metallurgical coal market continues to be adversely affected by a weak coal export market and the slow recovery of the domestic steel market. The market for steam coal, which is used to fire electric-generating plants, continues to be adversely impacted by high customer inventory levels resulting from recent mild weather and competition from western coals, which is increasing its penetration of the traditional eastern coal market areas. Operating profit declined by $42 million in 2000 compared with 1999. This decline resulted from a number of factors, including the declines in realized prices discussed above, operational problems and adverse geologic conditions encountered at several mines, a $10 million impairment charge relating to development cost of a longwall panel at the Upper Cedar Grove operation, a $46.5 million charge for estimated costs, net of $43.5 million in probable insurance recoveries, to remediate a slurry spill at the Martin County operations, and a $7.1 million bad debt expense associated with the bankruptcy of a major steel industry customer. Partially offsetting those factors that have reduced operating profit was an increase in gains from the sale or exchange of coal reserves in place. As the Coal segment manages its coal reserves, it regularly sells or exchanges non-strategic reserves for reserves located in more synergistic locations. During 2000, the Coal segment realized gains of $26.5 million from such transactions, compared with gains of $10.0 million during 1999. Additionally, during 2000 a $12.0 million credit for excise taxes paid on coal export sales tonnage was recorded. The payment of excise taxes on export coal was determined to be unconstitutional by a 1998 federal district court decision and the Internal Revenue Service has issued procedures for obtaining refunds related to such excise taxes.

Revenues decreased $44 million in 1999 compared with 1998 primarily due to the combination of a reduction in volume of the higher priced metallurgical coal and a decline in prices. Metallurgical coal volume decreased nearly 18 percent during 1999 compared with 1998. This decrease was more than offset by an increase in lower priced steam coal volume. Also contributing to the decline in coal revenues were lower realized prices for both steam and metallurgical coal. Steam coal prices declined 4 percent while metallurgical coal prices declined 2 percent. The factors impacting the metallurgical and steam coal market discussed in the previous paragraph also impacted the 1999 operating results. Operating profit for 1999 was lower than 1998 due to higher fixed costs, primarily depreciation, depletion and amortization, as volume levels remained relatively flat.

Other expense includes the results of operations for the Appalachian Synfuel, LLC synthetic fuel plant that is being combined with the Coal segment in conjunction with Massey's separation from Fluor.

Interest expense has been allocated to discontinued operations, representing actual interest expense for debt obligations (including the 6.95% Senior Notes and up to $230 million of commercial paper) attributed to the Coal segment. Although the allocated interest was fairly constant in 1998 and 1999, it increased during 2000 as the combined result of higher commercial paper interest rates during that year and an increase in outstanding commercial paper borrowings.

Effective tax rates for discontinued operations have remained constant at approximately 29 percent for each of the years ended October 31, 2000, 1999 and 1998. That rate is lower than the rates reported for continuing operations primarily due to favorable tax effects of percentage depletion.

Coal segment acquisitions during the three years ended October 31, 2000 were primarily focused on the purchase of additional low-sulfur coal reserves in areas adjacent to existing mine and plant operations. All acquisitions have been accounted for under the purchase method of accounting and their results of operations have been included in the company's consolidated financial statements from the respective acquisition dates. If these acquisitions had been made at the beginning of the respective year acquired, pro forma consolidated results of operations would not have differed materially from actual results.

Financial Position and Liquidity

The decrease in cash provided by operating activities in 2000, compared with 1999, is primarily due to the substantial increase in net operating assets and liabilities associated with engineering and construction activities. The decrease in cash provided by operating activities in 1999, compared with 1998, is primarily due to lower net earnings (adjusted for the non-cash and unexpended amounts of the special provision in 1999) and an increase in net operating assets and liabilities associated with engineering and construction activities. Also contributing to the 1999 decline were increases in equipment and coal inventories, as the result of slowing markets. The receipt of a $30 million tax refund positively impacted operating cash flow in 1998. The levels of operating assets and liabilities vary from year to year and are affected by the mix, stage of completion and commercial terms of engineering and construction projects.

Cash utilized by investing activities totaled $386.9 million in 2000 compared with $375.2 million in 1999. Capital expenditures in total were of comparable amounts for the two years; however, the capital investment in construction equipment by Fluor Global Services declined, while the company's increased investment in the *Knowledge@Work* system largely replaced those expenditures. During 2000, the company received $28.4 million of distributions from its equity investments compared with net investments of $4.7 million in 1999. In 1999, the company completed the sale of its ownership interest in FD/GTI and received proceeds of $36.3 million. The decrease in cash utilized by investing activities in 1999 compared with 1998 of $188.1 million resulted primarily from lower capital expenditures and acquisitions, net of proceeds from the sale of property, plant and equipment, as well as the proceeds from the FD/GTI sale during 1999. Capital expenditures in 1999 were primarily for the Fluor Global Services segment, specifically for AMECO and directed toward acquiring machinery and equipment for its rental business, and for the Coal segment, which were directed toward developing existing reserves. In addition, capital expenditures in 1999 include costs associated with *Knowledge@Work.*

Cash provided by financing activities totaled $104.9 million in 2000 compared with cash utilized of $220.6 million in 1999. Operating liquidity during 2000 was provided by short-term borrowings, including increases in commercial paper of $137.1 million and bank borrowings of $13.0 million, and increases in a note payable to affiliate of $51.4 million. During 1999, the company reduced its short-term borrowings by $299.2 million, partially offset by the issuance of a $113.4 million note payable to an affiliate and $17.6 million in long-term municipal bonds. In connection with a stock buyback program approved by the Board of Directors on March 8, 2000, the company purchased 747,000 shares of its outstanding common stock for $23.0 million during 2000, compared with no purchases during 1999. Cash utilized by financing activities totaled $98.0 million in 1998. During that year, the company utilized short-term borrowings of $341.8 million primarily to fund its 1997/1998 share repurchase program. Under this program, the company repurchased 8.3 million shares of its common stock for a total of $379.0 million.

Cash dividends increased in 2000 to $76.0 million ($1.00 per share) from $60.7 million ($0.80 per share) in 1999 and $63.5 million ($0.80 per share) in 1998. The 1999 decline was a consequence of the reduced number of shares outstanding that resulted from the company's share repurchase program.

The total debt to capitalization ratio at October 31, 2000 was 14.4 percent compared with 26.3 percent at October 31, 1999. On a pro forma basis at October 31, 2000, assuming that the spin-off distribution had occurred on that date, the total debt to capitalization ratio would have been 36.7 percent.

The company has on hand and access to sufficient sources of funds to meet its anticipated operating needs. Significant short- and long-term lines of credit are maintained with banks which, along with cash on hand, provide adequate operating liquidity. Liquidity is also provided by the company's commercial paper program. In December 1998, the company expanded both its revolving credit facility and its commercial paper program from $400 million to $600 million and has subsequently increased its revolving credit facility to $690 million during 2000. In connection with the spin-off transaction, committed lines of credit were reduced to $490 million, effective November 30, 2000.

Although the company is affected by inflation and the cyclical nature of the industry, its engineering and construction operations are generally protected by the ability to fix costs at the time of bidding or to recover cost increases in most contracts. Although the company has taken actions to reduce its dependence on external economic conditions, management is unable to predict with certainty the amount and mix of future business.

Financial Instruments

In connection with its 1997/1998 share repurchase program, the company entered into a forward purchase contract for 1,850,000 shares of its common stock at a price of $49 per share. The contract was settled on November 30, 2000, resulting in the repurchase and retirement of the shares for a cash payment of $101.2 million ($54.72 per share). As of October 31, 2000, the contract settlement cost per share exceeded the current market price per share by $19.35.

The company's investment securities and substantially all of its debt instruments carry fixed rates of interest over their respective maturity terms. The company does not currently use derivatives, such as swaps, to alter the interest characteristics of its investment securities or its debt instruments. The company's exposure to interest rate risk on its $17.6 million municipal bonds, due in 2019, is not material given the company's strong balance sheet and creditworthiness which provides the ability to refinance.

The company utilizes forward exchange contracts to hedge foreign currency transactions entered into in the ordinary course of business and not to engage in currency speculation. At October 31, 2000 and 1999, the company had forward foreign exchange contracts of less than eighteen months duration, to exchange principally Euros, Australian dollars, British pounds, Canadian dollars, Czech korunas, Dutch guilders, German marks and Spanish pesetas for U.S. dollars. The total gross notional amount of these contracts at October 31, 2000 and 1999 was $71 million and $124 million, respectively. Forward contracts to purchase foreign currency represented $66 million and $122 million, and forward contracts to sell foreign currency represented $5 million and $2 million, at October 31, 2000 and 1999, respectively.

New Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS No. 133). SFAS No. 133 establishes new standards for recording derivatives in interim and annual financial statements. This statement, as amended, will be adopted by the company on November 1, 2000 and will not have a significant impact on the results of operations, financial position or cash flows of the company.

Consolidated Statement of Earnings

Year ended October 31, (in thousands, except per share amounts)	2000	1999	1998
Total Revenues	$9,970,154	$11,334,355	$12,377,476
Total Cost of Revenues	9,765,807	11,083,041	12,138,279
Other (Income) and Expenses			
Special provision	(17,919)	117,200	—
Corporate administrative and general expense	65,349	55,350	22,598
Interest expense	26,315	18,972	13,120
Interest income	(11,619)	(16,789)	(19,269)
Total cost and expenses	9,827,933	11,257,774	12,154,728
Earnings from Continuing Operations Before Taxes	142,221	76,581	222,748
Income Tax Expense	42,375	49,898	86,834
Earnings from Continuing Operations	99,846	26,683	135,914
Earnings from Discontinued Operations, Net of Taxes	49,103	77,504	99,430
Loss on Disposal, Net of Taxes	(25,000)	—	—
Net Earnings	$ 123,949	$ 104,187	$ 235,344
Basic Earnings Per Share			
Continuing operations	$ 1.33	$ 0.35	$ 1.73
Discontinued operations	0.32	1.03	1.26
Net earnings	$ 1.65	$ 1.38	$ 2.99
Diluted Earnings Per Share			
Continuing operations	$ 1.31	$ 0.35	$ 1.72
Discontinued operations	0.31	1.02	1.25
Net earnings	$ 1.62	$ 1.37	$ 2.97
Shares Used to Calculate Earnings Per Share			
Basic	75,256	75,228	78,801
Diluted	76,365	75,929	79,135

See Notes to Consolidated Financial Statements.

Consolidated Balance Sheet

At October 31,	2000	1999
(in thousands, except share amounts)		
Assets		
Current Assets		
Cash and cash equivalents	$ 69,426	$ 209,614
Accounts and notes receivable	665,117	850,557
Contract work in progress	439,208	416,285
Inventories	106,711	248,118
Deferred taxes	112,156	105,502
Other current assets	55,175	80,095
Total current assets	1,447,793	1,910,171
Net assets of discontinued operations	866,199	—
Property, Plant and Equipment		
Land	61,035	71,664
Buildings and improvements	319,114	352,883
Machinery and equipment	718,011	2,103,663
Mining properties and mineral rights	—	858,965
Construction in progress	100,023	81,422
	1,198,183	3,468,597
Less accumulated depreciation, depletion and amortization	441,418	1,245,644
Net property, plant and equipment	756,765	2,222,953
Other Assets		
Goodwill, net of accumulated amortization of $42,591 and $32,458, respectively	97,531	116,045
Investments	92,872	167,891
Deferred taxes	86,056	—
Other	305,518	469,057
Total other assets	581,977	752,993
	$3,652,734	$4,886,117
Liabilities and Shareholders' Equity		
Current Liabilities		
Trade accounts payable	$ 530,332	$ 793,465
Short-term debt	253,512	247,911
Advance billings on contracts	395,872	565,373
Accrued salaries, wages and benefit plan liabilities	242,311	321,148
Other accrued liabilities	198,348	276,413
Total current liabilities	1,620,375	2,204,310
Long-Term Debt Due After One Year	17,573	317,555
Noncurrent Liabilities		
Deferred taxes	—	162,210
Other	405,529	620,670
Total noncurrent liabilities	405,529	782,880
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 $0.625 par value; issued and outstanding in 2000 – 75,743,345 shares and in 1999 – 76,034,296 shares	47,339	47,521
Additional capital	212,107	217,844
Unamortized executive stock plan expense	(27,093)	(21,579)
Accumulated other comprehensive income	(46,400)	(37,752)
Retained earnings	1,423,304	1,375,338
Total shareholders' equity	1,609,257	1,581,372
	$3,652,734	$4,886,117

See Notes to Consolidated Financial Statements.

Consolidated Statement of Cash Flows

Year ended October 31,	2000	1999	1998
(in thousands)			
Cash Flows From Operating Activities			
Net earnings	$ 123,949	$ 104,187	$ 235,344
Adjustments to reconcile net earnings to cash provided by operating activities:			
Depreciation, depletion and amortization	311,688	318,204	288,870
Deferred taxes	(2,651)	29,268	28,780
Special provision, net of cash payments	(36,619)	85,410	—
Provisions for impairment/abandonment of joint ventures and investments	42,793	—	—
Provision for spin-off transaction expenses, net of cash payments	21,762	—	—
Changes in operating assets and liabilities, excluding effects of business acquisitions/dispositions	(339,514)	(22,551)	168,576
Equity in (earnings) losses of investees	14,800	(44,651)	(12,035)
Other, net	5,592	(4,991)	(7,016)
Cash provided by operating activities	141,800	464,876	702,519
Cash Flows From Investing Activities			
Capital expenditures – continuing operations	(284,079)	(277,033)	(304,533)
Capital expenditures and acquisitions – Coal segment	(211,487)	(227,301)	(308,404)
Proceeds from sales and maturities of marketable securities	—	—	10,089
Investments, net	28,384	(4,688)	(20,745)
Proceeds from sale of property, plant and equipment	92,966	105,154	125,493
Contributions to deferred compensation trusts	—	(8,160)	(21,365)
Net assets held for sale, including cash	—	36,300	(26,375)
Other, net	(12,681)	549	(17,477)
Cash utilized by investing activities	(386,897)	(375,179)	(563,317)
Cash Flows From Financing Activities			
Cash dividends paid	(75,983)	(60,692)	(63,497)
Increase (decrease) in short-term borrowings, net	150,116	(299,212)	341,809
Proceeds from issuance of note payable to affiliate	51,433	113,379	—
Proceeds from (payments on) long-term debt, net	—	16,951	(285)
Stock options exercised	5,829	10,760	9,935
Purchases of common stock	(23,003)	—	(378,979)
Other, net	(3,483)	(1,813)	(6,965)
Cash provided (utilized) by financing activities	104,909	(220,627)	(97,982)
(Decrease) increase in cash and cash equivalents	(140,188)	(130,930)	41,220
Cash and cash equivalents at beginning of year	209,614	340,544	299,324
Cash and cash equivalents at end of year	$ 69,426	$ 209,614	$ 340,544

See Notes to Consolidated Financial Statements.

Consolidated Statement of Shareholders' Equity

(in thousands, except share and per share amounts)	Common Stock Shares	Common Stock Amount	Additional Capital	Unamortized Executive Stock Plan Expense	Accumulated Other Comprehensive Income	Retained Earnings	Total
Balance at October 31, 1997	83,748	$52,343	$ 569,356	$(33,441)	$ (7,204)	$1,159,996	$1,741,050
Comprehensive income							
Net earnings	—	—	—	—	—	235,344	235,344
Foreign currency translation adjustment (net of deferred taxes of $14,439)	—	—	—	—	(22,707)	—	(22,707)
Comprehensive income							212,637
Cash dividends ($0.80 per share)	—	—	—	—	—	(63,497)	(63,497)
Exercise of stock options, net	268	167	9,768	—	—	—	9,935
Stock option tax benefit	—	—	2,425	—	—	—	2,425
Amortization of executive stock plan expense	—	—	—	7,343	—	—	7,343
Issuance of restricted stock, net	(144)	(90)	(8,680)	3,465	—	—	(5,305)
Purchases of common stock	(8,299)	(5,187)	(373,792)	—	—	—	(378,979)
Balance at October 31, 1998	75,573	47,233	199,077	(22,633)	(29,911)	1,331,843	1,525,609
Comprehensive income							
Net earnings	—	—	—	—	—	104,187	104,187
Foreign currency translation adjustment (net of deferred taxes of $4,910)	—	—	—	—	(7,841)	—	(7,841)
Comprehensive income							96,346
Cash dividends ($0.80 per share)	—	—	—	—	—	(60,692)	(60,692)
Exercise of stock options, net	304	190	10,570	—	—	—	10,760
Stock option tax benefit	—	—	1,989	—	—	—	1,989
Amortization of executive stock plan expense	—	—	—	7,517	—	—	7,517
Issuance of restricted stock, net	157	98	6,208	(6,463)	—	—	(157)
Balance at October 31, 1999	76,034	47,521	217,844	(21,579)	(37,752)	1,375,338	1,581,372
Comprehensive income							
Net earnings	—	—	—	—	—	123,949	123,949
Foreign currency translation adjustment (net of deferred taxes of $5,931)	—	—	—	—	(8,648)	—	(8,648)
Comprehensive income							115,301
Cash dividends ($1.00 per share)	—	—	—	—	—	(75,983)	(75,983)
Exercise of stock options, net	148	92	5,737	—	—	—	5,829
Stock option tax benefit	—	—	334	—	—	—	334
Amortization of executive stock plan expense	—	—	—	5,597	—	—	5,597
Purchases of common stock	(747)	(467)	(22,536)	—	—	—	(23,003)
Issuance of restricted stock, net	308	193	10,728	(11,111)	—	—	(190)
Balance at October 31, 2000	75,743	$47,339	$ 212,107	$(27,093)	$(46,400)	$1,423,304	$1,609,257

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 investment ownership ranging from 20 percent to 50 percent. Investment ownership of less than 20 percent is accounted for on the cost method. As more fully described in the following Note, on November 30, 2000, shareholders approved a spin-off distribution that will separate the company into two publicly traded companies. As a result of this action, the company's Coal related business is presented as discontinued operations. All significant intercompany transactions of consolidated subsidiaries are eliminated. Certain 1999 and 1998 amounts have been reclassified to conform with the 2000 presentation.

In connection with the spin-off, the company will change its fiscal year end from October 31 to December 31. As a requirement of this change, the company will report results for November and December 2000 as a separate transition period.

Use of Estimates

The preparation of the financial statements of the company requires management to make estimates and assumptions that affect reported amounts. These estimates are based on information available as of the date of the financial statements. Therefore, actual results could differ from those estimates.

Engineering and Construction Contracts

The company recognizes engineering and construction contract revenues using the percentage-of-completion method, based primarily on contract costs incurred to date compared with total estimated contract costs. Customer-furnished materials, labor and equipment, and in certain cases subcontractor materials, labor and equipment, are included in revenues and cost of revenues when management believes that the company is responsible for the ultimate acceptability of the project. Contracts are segmented between types of services, such as engineering and construction, and accordingly, gross margin related to each activity is recognized as those separate services are rendered. Changes to total estimated contract costs or losses, if any, are recognized in the period in which they are determined. Revenues recognized in excess of amounts billed are classified as current assets under contract work in progress. Amounts billed to clients in excess of revenues recognized to date are classified as current liabilities under advance billings on contracts. The company anticipates that substantially all incurred costs associated with contract work in progress at October 31, 2000 will be billed and collected in 2001.

Depreciation and Amortization

Additions to property, plant and equipment are recorded at cost. Assets are depreciated principally using the straight-line method over the following estimated useful lives: buildings and improvements — three to 50 years and machinery and equipment — two to 30 years. Leasehold improvements are amortized over the lives of the respective leases. Goodwill is amortized on the straight-line method over periods not longer than 40 years.

Income Taxes

Deferred tax assets and liabilities are recognized for the expected future tax consequences of events that have been recognized in the company's financial statements or tax returns.

Earnings Per Share

Basic earnings per share (EPS) is calculated by dividing income from continuing operations, income from discontinued operations (including the loss on disposal) and net earnings by the weighted average number of common shares outstanding for the period. Diluted EPS reflects the assumed conversion of all dilutive securities, consisting of employee stock options and restricted stock, and equity forward contracts.

The impact of dilutive securities on the company's EPS calculation is as follows:

Year ended October 31,	2000	1999	1998
Employee stock options/ restricted stock	54,000	107,000	231,000
Equity forward contract	1,055,000	594,000	103,000
	1,109,000	701,000	334,000

Inventories

Inventories are stated at the lower of cost or market using specific identification or the average cost method. Inventories comprise:

At October 31,	2000	1999
(in thousands)		
Equipment for sale/rental	$ 80,785	$131,781
Coal	—	72,070
Supplies and other	25,926	44,267
	$106,711	$248,118

Internal Use Software

The company capitalizes certain costs incurred in the development of internal-use software, including external direct material and service costs, employee payroll and payroll-related costs.

Foreign Currency

The company uses forward exchange contracts to hedge certain foreign currency transactions entered into in the ordinary course of business. The company does not engage in currency speculation. The company's forward exchange contracts do not subject the company to significant risk from exchange rate movements because gains and losses on such contracts offset losses and gains, respectively, on the assets, liabilities or transactions being hedged. Accordingly, the unrealized gains and losses are deferred and included in the measurement of the related foreign currency transaction. At October 31, 2000, the company had approximately $71 million of foreign exchange contracts outstanding relating to contract obligations. The forward exchange contracts generally require the company to exchange U.S. dollars for foreign currencies at maturity, at rates agreed to at inception of the contracts. If the counterparties to the exchange contracts (AA or A+ rated banks) do not fulfill their obligations to deliver the contracted currencies, the company could be at risk for any currency related fluctuations. The amount of any gain or loss on these contracts in 2000, 1999 and 1998 was immaterial. The contracts are of varying duration, none of which extend beyond January 2002. The company limits exposure to foreign currency fluctuations in most of its engineering and construction contracts through provisions that require client payments in U.S. dollars or other currencies corresponding to the currency in which costs are incurred. As a result, the company generally does not need to hedge foreign currency cash flows for contract work performed. The functional currency of all significant foreign operations is the local currency.

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS No. 133). SFAS No. 133 establishes new standards for recording derivatives in interim and annual financial statements. This statement, as amended, will be adopted by the company on November 1, 2000 and will not have a significant impact on the results of operations, financial position or cash flows of the company.

Concentrations of Credit Risk

The majority of accounts receivable and all contract work in progress are from engineering and construction clients in various industries and locations throughout the world. Most contracts require payments as the projects progress or in certain cases advance payments. The company generally does not require collateral, but in most cases can place liens against the property, plant or equipment constructed or terminate the contract if a material default occurs. The company maintains adequate reserves for potential credit losses and such losses have been minimal and within management's estimates.

Stock Plans

The company accounts for stock-based compensation using the intrinsic value method prescribed by Accounting Principles Board (APB) Opinion No. 25, "Accounting for Stock Issued to Employees," and related Interpretations. Accordingly, compensation cost for stock options is measured as the excess, if any, of the quoted market price of the company's stock at the date of the grant over the amount an employee must pay to acquire the stock. Compensation cost for stock appreciation rights and performance equity units is recorded based on the quoted market price of the company's stock at the end of the period.

Comprehensive Income

Total comprehensive income represents the net change in shareholders' equity during a period from sources other than transactions with shareholders and as such, includes net earnings. For the company, the only other component of total comprehensive income is the change in the cumulative foreign currency translation adjustments recorded in shareholders' equity.

Discontinued Operations

On November 30, 2000, a spin-off distribution to shareholders was effected which separated Fluor Corporation (Fluor) into two publicly-traded companies – a "new" Fluor ("New Fluor" or the "company") and Massey Energy Company ("Massey"). The spin-off was accomplished through the distribution of 100% of the common stock of New Fluor to shareholders of existing Fluor. As a result, each existing Fluor shareholder received one share of New Fluor common stock for each share of existing Fluor common stock and retained their shares in existing Fluor, whose name was changed to Massey Energy Company. The company has received a ruling from the Internal Revenue Service that the spin-off will be tax-free to its shareholders. Because of the relative significance of the company's operations to Fluor, the company will be treated as the "accounting successor" for financial reporting purposes. Accordingly, Massey's results of operations for all periods presented and its net assets as of October 31, 2000 have been reclassified and are presented as discontinued operations.

In connection with the spin-off, the company's 6.95% Senior Notes due March 1, 2007 will remain an obligation of Massey. In addition, Massey will issue $230 million of commercial paper (adjusted upward for funds advanced to Massey by Fluor or downward for funds advanced to Fluor by Massey from August 1, 2000 to the distribution date), the proceeds of which will be transferred to the company. As of October 31, 2000, the adjusted commercial paper commitment was $213 million.

The net assets of Massey consisted of the following at October 31, 2000:

(in thousands)	
Cash and cash equivalents	$ 1,081
Accounts and notes receivable	218,591
Inventories	104,014
Other current assets	68,996
Net property, plant and equipment	1,552,270
Other assets	226,946
Total assets	2,171,898
Trade accounts payable	158,045
Short-term debt	214,170
Other current liabilities	142,568
Long-term debt due after one year	300,000
Noncurrent liabilities	490,916
Total liabilities	1,305,699
Net assets of Massey	$ 866,199

Accounts receivable from customers of Massey are primarily concentrated in the steel and utility industries. In October 2000 a provision for bad debts of $7.1 million was recognized due to the bankruptcy of a major steel industry customer.

Summarized results of Massey are as follows:

Year ended October 31,	2000	1999	1998
(in thousands)			
Revenues	$1,085,833	$1,083,030	$1,127,297
Operating costs			
Cost of sales	838,876	774,582	810,416
Depreciation, depletion and amortization	170,977	166,419	150,062
Selling, general and administrative	29,754	32,696	27,584
Other operating income, net	(58,689)	(37,524)	(33,527)
Total operating costs	980,918	936,173	954,535
Operating profit	104,915	146,857	172,762
Other expense, net	(8,015)	(7,479)	(2,622)
Interest expense	(35,327)	(31,946)	(32,157)
Interest income	7,470	1,640	1,895
Earnings before taxes	69,043	109,072	139,878
Income tax expense	19,940	31,568	40,448
Net earnings	$ 49,103	$ 77,504	$ 99,430

Interest expense has been allocated to discontinued operations, representing actual interest expense for Massey obligations (including the 6.95% Senior Notes and up to $230 million of commercial paper).

Consolidated Statement of Cash Flows

Cash flows and changes in operating assets and liabilities include the effects from Massey, without separate identification and classification of discontinued operations.

Securities with maturities of 90 days or less at the date of purchase are classified as cash equivalents. Securities with maturities beyond 90 days, when present, are classified as marketable securities and are carried at fair value. The changes in operating assets and liabilities as shown in the Consolidated Statement of Cash Flows comprise:

Year ended October 31,	2000	1999	1998
(in thousands)			
(Increase) decrease in:			
Accounts and notes receivable	$ (3,009)	$ 25,972	$ (84,394)
Contract work in progress	(22,923)	180,698	73,575
Inventories	35,876	(49,473)	(23,197)
Other current assets	(43,376)	(16,054)	(192)
Increase (decrease) in:			
Accounts payable	(108,616)	(173,345)	127,229
Advance billings on contracts	(169,501)	18,557	21,298
Accrued liabilities	(27,965)	(8,906)	54,257
(Increase) decrease in operating assets and liabilities	$(339,514)	$ (22,551)	$168,576
Cash paid during the year for:			
Interest expense	$ 60,455	$ 47,558	$ 44,057
Income tax payments, net	$ 58,637	$ 52,025	$ 52,346

Business Acquisitions

From time to time, the company enters into investment arrangements, including joint ventures, that are related to its engineering and construction business. During 1998 through 2000, the majority of these expenditures related to ongoing investments in an equity fund that focuses on energy related projects and a number of smaller, diversified ventures.

Business Dispositions

During 2000, the company recorded a nonrecurring charge of $19.3 million relating to the write-off of certain assets and the loss on the sale of a European-based consulting business by the Fluor Global Services segment.

On October 28, 1998, the company entered into an agreement to sell its ownership interest in Fluor Daniel GTI, Inc. (FD/GTI). Under terms of the agreement, the company sold its 4,400,000 shares in FD/GTI for $8.25 per share, or $36.3 million in cash, on December 3, 1998. The net assets of FD/GTI included $26.4 million in cash and cash equivalents. This transaction did not have a material impact on the company's results of operations or financial position.

Special Provision and Cost Reduction Initiatives

In March 1999, the company announced a new strategic direction, including a reorganization of the operating units and administrative functions of its engineering and construction segment. In connection with this reorganization, the company recorded in the second quarter of fiscal year 1999 a special provision of $136.5 million pre-tax to cover direct and other reorganization related costs, primarily for personnel, facilities and asset impairment adjustments.

Under the reorganization plan, approximately 5,000 jobs were eliminated. The provision included amounts for personnel costs for certain affected employees that were entitled to receive severance benefits under established severance policies or by government regulations. Additionally, outplacement services were provided on a limited basis to some affected employees. The provision also included amounts for asset impairment, primarily for property, plant and equipment; intangible assets (goodwill); and certain investments. The asset impairments were recorded primarily because of the company's decision to exit certain non-strategic geographic locations and businesses. The carrying values of impaired assets were adjusted to their current market values based on estimated sale proceeds, using either discounted cash flows or contractual amounts. Lease termination costs were also included in the special provision. The company closed 15 non-strategic offices worldwide and consolidated and downsized other office locations.

In October 1999, $19.3 million of the special provision was reversed into earnings as a result of lower than anticipated severance costs for personnel reductions in certain overseas offices. Both the actual number of employee terminations as well as the cost per employee termination were lower than originally estimated. In the second quarter of 2000, $17.9 million of the special provision was reversed into earnings as a result of the company's decision to retain ownership and remain in its current office location in Camberley, U.K.

The following table summarizes the status of the company's reorganization plan as of October 31, 2000 and 1999:

	Personnel Costs	Asset Impairment	Lease Termination Costs	Other	Total
(in thousands)					
Special provision	$ 72,200	$ 48,800	$14,500	$1,000	$136,500
Cash expenditures	(25,089)	(1,094)	(4,793)	(814)	(31,790)
Non-cash activities	(2,576)	(24,360)	—	—	(26,936)
Provision reversal	(19,300)	—	—	—	(19,300)
Balance at October 31, 1999	25,235	23,346	9,707	186	58,474
Cash expenditures	(11,763)	—	(6,853)	—	(18,616)
Non-cash activities	(3,732)	(5,427)	—	(186)	(9,345)
Provision reversal	—	(17,919)	—	—	(17,919)
Balance at October 31, 2000	$ 9,740	$ —	$ 2,854	$ —	$ 12,594

The special provision liability as of October 31, 2000 and 1999 is included in other accrued liabilities. The liability for personnel costs relates to non-U.S. operations and is expected to be substantially utilized by December 31, 2000. The liability associated with abandoned lease space is being amortized as an offset to lease expense over the remaining life of the respective leases starting on the dates of abandonment.

Income Taxes

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

Year ended October 31,	2000	1999	1998
(in thousands)			
Current:			
Federal	$ 17,864	$ 5,931	$ 38,700
Foreign	42,736	43,012	52,021
State and local	4,366	3,255	7,781
Total current	64,966	52,198	98,502
Deferred:			
Federal	(12,082)	26,872	43,369
Foreign	7,829	(2,641)	(19,295)
State and local	1,602	5,037	4,706
Total deferred	(2,651)	29,268	28,780
Total income tax expense	$ 62,315	$81,466	$127,282

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

Year ended October 31,	2000	1999	1998
(in thousands)			
Provision for continuing operations:			
Current	$ 71,105	$ 63,926	$ 90,737
Deferred	(28,730)	(14,028)	(3,903)
Total provision for continuing operations	42,375	49,898	86,834
Provision for discontinued operations:			
Current	(6,139)	(11,728)	7,765
Deferred	26,079	43,296	32,683
Total provision for discontinued operations	19,940	31,568	40,448
Total income tax expense	$ 62,315	$ 81,466	$127,282

A reconciliation of U.S. statutory federal income tax expense to income tax expense on earnings from continuing operations is as follows:

Year ended October 31,	2000	1999	1998
(in thousands)			
U.S. statutory federal tax expense	$49,777	$26,803	$77,962
Increase (decrease) in taxes resulting from:			
Items without tax effect, net	5,813	32,500	11,423
Effect of non-U.S. tax rates	969	(396)	3,433
State and local income taxes	920	2,603	4,532
Foreign Sales Corporation tax benefit	(5,975)	(6,342)	(8,250)
Utilization of prior year tax credits	(4,657)	(635)	—
Favorable tax settlement	(3,075)	(2,269)	(1,418)
Other, net	(1,397)	(2,366)	(848)
Total income tax expense — continuing operations	$42,375	$49,898	$86,834

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

At October 31,	2000	1999
(in thousands)		
Deferred tax assets:		
Accrued liabilities not currently deductible	$214,011	$206,028
Translation adjustments	29,886	23,955
Tax basis in partnership in excess of book	29,670	10,622
Net operating loss carryforwards of non-U.S. companies	17,044	19,664
Tax basis of building in excess of book basis	15,728	16,408
Tax credit carryforwards	12,228	10,673
Net operating loss carryforwards of acquired companies	4,461	6,503
Other	25,395	19,807
Total deferred tax assets	348,423	313,660
Valuation allowance for deferred tax assets	(74,747)	(79,418)
Deferred tax assets, net	273,676	234,242
Deferred tax liabilities:		
Book basis of property, equipment and other capital costs in excess of tax basis	(26,765)	(41,894)
Tax on unremitted non-U.S. earnings	(22,047)	(16,361)
Other	(26,652)	(15,298)
Total deferred tax liabilities	(75,464)	(73,553)
Net deferred tax assets	$198,212	$160,689

Amounts reflected above exclude net deferred tax liabilities associated with the coal business operated by Massey of $243 million and $217 million at October 31, 2000 and 1999, respectively.

The company has net operating loss carryforwards from non-U.S. operations of approximately $49 million which can be carried forward indefinitely until fully utilized. These losses primarily relate to the company's operations in Australia, Germany and the United Kingdom. Deferred tax assets established for these losses aggregate $17 million and $20 million at October 31, 2000 and 1999, respectively.

In 1997, the company acquired the SMA Companies which had net operating loss carryforwards of approximately $47 million. The company has utilized approximately $11 million of the loss carryforwards, and made an election in its 1997 consolidated federal tax return to waive approximately $23 million of losses which otherwise would have expired without future tax benefit. The remaining loss carryforwards of approximately $13 million expire in the years 2003 through 2005. The utilization of such loss carryforwards is subject to stringent limitations under the Internal Revenue Code. Deferred tax assets established for these losses aggregate $4 million and $7 million for 2000 and 1999, respectively.

The company maintains a valuation allowance to reduce certain deferred tax assets to amounts that are more likely than not to be realized. This allowance primarily relates to the deferred tax assets established for the special provision, net operating loss and tax credit carryforwards. In 2000, decreases in the valuation allowance are principally the result of the reversal of $17.9 million of the special provision which did not previously receive tax benefit. Any reductions in the allowance resulting from realization of the loss carryforwards of acquired companies will result in a reduction of goodwill.

Residual income taxes of approximately $8 million have not been provided on approximately $20 million of undistributed earnings of certain foreign subsidiaries at October 31, 2000, because the company intends to keep those earnings reinvested indefinitely.

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

Year ended October 31,	2000	1999	1998
(in thousands)			
United States	$ (13,184)	$65,875	$100,767
Foreign	155,405	10,706	121,981
Total	$142,221	$76,581	$222,748

Retirement Benefits

The company sponsors contributory and non-contributory defined contribution retirement and defined benefit pension plans for eligible employees. Contributions to defined contribution retirement plans are based on a percentage of the employee's compensation. Expense recognized for these plans of approximately $46 million in 2000, $48 million in 1999, and $69 million in 1998, is primarily related to domestic engineering and construction operations. Effective January 1, 1999, the company replaced its domestic defined contribution retirement plan with a defined benefit cash balance plan. Contributions to defined benefit pension plans are generally at the minimum annual amount required by applicable regulations. Payments to retired employees under these plans are generally based upon length of service, age and/or a percentage of qualifying compensation. The defined benefit pension plans are primarily related to international engineering and construction operations, U.S. craft employees and coal operations.

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

Year ended October 31,	2000	1999	1998
(in thousands)			
Service cost	$ 35,168	$ 31,919	$ 12,420
Interest cost	18,612	16,101	15,751
Expected return on assets	(33,603)	(30,751)	(30,439)
Amortization of transition asset	(1,917)	(2,132)	(2,196)
Amortization of prior service cost	46	281	299
Recognized net actuarial loss (gain)	(541)	922	(563)
Net periodic pension expense (income)	$ 17,765	$ 16,340	$ (4,728)

The ranges of assumptions indicated below cover defined benefit pension plans in Australia, Germany, the United Kingdom, The Netherlands and the United States. These assumptions are as of each respective fiscal year-end based on the then current economic environment in each host country.

At October 31,	2000	1999
Discount rates	6.0–7.75%	6.0–7.75%
Rates of increase in compensation levels	3.5–3.75%	3.5–3.75%
Expected long-term rates of return on assets	5.0–9.50%	5.0–9.50%

The following table sets forth the change in benefit obligation, plan assets and funded status of the company's defined benefit pension plans for continuing operations:

At October 31,	2000	1999
(in thousands)		
Change in pension benefit obligation		
Benefit obligation at beginning of year	$307,891	$302,839
Service cost	35,168	31,919
Interest cost	18,612	16,101
Employee contributions	1,441	1,626
Currency translation	(46,482)	(19,068)
Actuarial (gain) loss	23,992	(3,232)
Benefits paid	(24,830)	(22,294)
Benefit obligation at end of year	$315,792	$307,891
Change in plan assets		
Fair value at beginning of year	$417,587	$380,883
Actual return on plan assets	35,265	72,829
Company contributions	7,152	5,642
Employee contributions	1,441	1,626
Currency translation	(54,780)	(17,154)
Benefits paid	(24,830)	(22,294)
Plan amendments	—	(3,945)
Fair value at end of year	$381,835	$417,587

At October 31,	2000	1999
(in thousands)		
Funded status	$66,043	$109,696
Unrecognized net actuarial (gain) loss	4,822	(17,544)
Unrecognized prior service cost	(183)	(401)
Unrecognized net asset	(4,802)	(8,002)
Pension assets	$65,880	$ 83,749

Amounts shown above at October 31, 2000 and 1999 exclude the projected benefit obligation of approximately $236.1 million and $224.6 million, respectively, and associated plan assets of $347.0 million and $322.0 million, respectively, relating to discontinued operations (including the Massey Coal segment).

In addition to the company's defined benefit pension plans, the company and certain of its subsidiaries provide health care and life insurance benefits for certain retired employees. The health care and life insurance plans are generally contributory, with retiree contributions adjusted annually. Service costs are accrued currently. The accumulated postretirement benefit obligation at October 31, 2000 and 1999 was determined in accordance with the current terms of the company's health care plans, together with relevant actuarial assumptions and health care cost trend rates projected at annual rates ranging from 12 percent in 2001 down to 5 percent in 2005 and beyond. The effect of a one percent annual increase in these assumed cost trend rates would increase the accumulated postretirement benefit obligation and the aggregate of the annual service and interest costs by approximately $1.3 million and $0.1 million, respectively. The effect of a one percent annual decrease in these assumed cost trend rates would decrease the accumulated postretirement benefit obligation and the aggregate of the annual service and interest costs by approximately $1.2 million and $0.1 million, respectively.

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

Year ended October 31,	2000	1999	1998
(in thousands)			
Service cost	$ —	$ —	$ —
Interest cost	1,865	1,632	1,765
Expected return on assets	—	—	—
Amortization of prior service cost	—	—	—
Recognized net actuarial gain	(329)	(458)	(595)
Net periodic postretirement benefit cost	$1,536	$1,174	$1,170

The following table sets forth the change in benefit obligation of the company's postretirement benefit plans for continuing operations:

At October 31,	2000	1999
(in thousands)		
Change in postretirement benefit obligation		
Benefit obligation at beginning of year	$ 25,658	$ 25,554
Service cost	—	—
Interest cost	1,865	1,632
Employee contributions	309	270
Actuarial loss	4,974	1,212
Benefits paid	(3,490)	(3,010)
Benefit obligation at end of year	$ 29,316	$ 25,658
Funded status	$(29,316)	$(25,658)
Unrecognized net actuarial gain	(51)	(5,354)
Accrued postretirement benefit obligation	$(29,367)	$(31,012)

The discount rate used in determining the postretirement benefit obligation was 7.75 percent at both October 31, 2000 and 1999.

Amounts shown above at October 31, 2000 and 1999 exclude the accrued benefit obligation of approximately $68.6 million and $62.7 million, respectively, relating to discontinued operations.

The preceding information does not include amounts related to benefit plans applicable to employees associated with certain contracts with the U.S. Department of Energy because the company is not responsible for the current or future funded status of these plans.

Fair Value of Financial Instruments

The estimated fair value of the company's financial instruments are as follows:

	2000		1999	
Year ended October 31,	Carrying Amount	Fair Value	Carrying Amount	Fair Value
(in thousands)				
Assets:				
Cash and cash equivalents	$69,426	$69,426	$209,614	$209,614
Notes receivable including noncurrent portion	30,739	39,494	47,444	54,387
Long-term investments	57,481	64,809	60,609	72,667
Liabilities:				
Commercial paper, loan notes and notes payable	253,512	253,512	247,911	247,911
Long-term debt including current portion	17,573	16,504	317,555	312,580
Other noncurrent financial liabilities	11,921	11,921	9,789	9,789
Off-balance sheet financial instruments:				
Forward contract to purchase common stock	—	(35,792)	—	(21,170)
Foreign currency contract obligations	—	(363)	—	(1,311)
Letters of credit	—	973	—	546
Lines of credit	—	705	—	965

Fair values were determined as follows:

The carrying amounts of cash and cash equivalents, short-term notes receivable, commercial paper, loan notes and notes payable approximate fair value because of the short-term maturity of these instruments.

Long-term investments are based on quoted market prices for these or similar instruments. Long-term notes receivable are estimated by discounting future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings.

The fair value of long-term debt, including current portion, is estimated based on quoted market prices for the same or similar issues or on the current rates offered to the company for debt of the same maturities.

Other noncurrent financial liabilities consist primarily of deferred payments, for which cost approximates fair value.

Forward contract to purchase common stock is based on the estimated cost to terminate or settle the obligation.

Foreign currency contract obligations are estimated by obtaining quotes from brokers.

Letters of credit and lines of credit amounts are based on fees currently charged for similar agreements or on the estimated cost to terminate or settle the obligations.

Financing Arrangements

The company has unsecured committed revolving short- and long-term lines of credit with banks from which it may borrow for general corporate purposes up to a maximum of $690 million. Commitment and facility fees are paid on these lines. In connection with the spin-off transaction, committed lines of credit were reduced to $490 million, effective November 30, 2000. In addition, the company has $630 million in short-term uncommitted lines of credit to support letters of credit and foreign currency contracts. Borrowings under both committed and uncommitted lines of credit bear interest at prime or 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, 2000, amounts outstanding under the committed lines of credit were $29 million. As of that date, $218 million of the short-term uncommitted lines of credit were used to support undrawn letters of credit and foreign currency contracts issued in the ordinary course of business.

Short-term debt comprises:

At October 31,	2000	1999
(in thousands)		
Note payable to affiliate	$164,812	$113,379
Commercial paper	59,442	113,746
Bank borrowings	28,517	15,500
Trade notes payable	741	5,286
	$253,512	$247,911

The company's commercial paper was issued at a discount with a weighted-average effective interest rate of 6.7 percent at October 31, 2000 and 5.9 percent at October 31, 1999. The note payable to an affiliate is due on demand and bears interest at the rate of 6.1 percent as of October 31, 2000 and 5.41 percent as of October 31, 1999.

Long-term debt comprises:

At October 31,	2000	1999
(in thousands)		
6.95% Senior Notes due March 1, 2007	$ —	$300,000
5.625% municipal bonds	17,573	17,555
	17,573	317,555
Less: Current portion	—	—
Long-term debt due after one year	$17,573	$317,555

In March 1997, the company issued $300 million of 6.95% Senior Notes (the Notes) due March 1, 2007 with interest payable semiannually on March 1 and September 1 of each year, commencing September 1, 1997. The Notes were sold at a discount for an aggregate price of $296.7 million. In connection with the spin-off, the Notes became an obligation of Massey and accordingly have been included in net assets of discontinued operations.

The municipal bonds are due June 1, 2019 with interest payable semiannually on June 1 and December 1 of each year, commencing December 1, 1999. The bonds are redeemable, in whole or in part, at the option of the company at a redemption price ranging from 100 percent to 102 percent of the principal amount of the bonds on or after June 1, 2009. In addition, the bonds are subject to other redemption clauses, at the option of the holder, should certain events occur, as defined in the offering prospectus.

Other Noncurrent Liabilities

The company maintains appropriate levels of insurance for business risks. Insurance coverages contain various deductible amounts for which the company provides accruals based on the aggregate of the liability for reported claims and an actuarially determined estimated liability for claims incurred but not reported. Other noncurrent liabilities include $63 million and $61 million at October 31, 2000 and 1999, respectively, relating to these liabilities.

Stock Plans

The company's executive stock plans, approved by the shareholders, provide for grants of nonqualified or incentive stock options, restricted stock awards and stock appreciation rights ("SARS"). All executive stock plans are administered by the Organization and Compensation Committee of the Board of Directors ("Committee") comprised of outside directors, none of whom are eligible to participate in the plans. Option grant prices are determined by the Committee and are established at the fair value of the company's common stock at the date of grant. Options and SARS normally extend for 10 years and become exercisable over a vesting period determined by the Committee, which can include accelerated vesting for achievement of performance or stock price objectives. During 2000, the company issued 1,581,790 nonqualified stock options and 58,880 SARS that vest 100 percent at the end of four years, with accelerated vesting based upon the price of the company's stock, and also issued 52,660 stock options with annual vesting of 25%. During 1999, the company issued 1,021,810 nonqualified stock options and 122,900 SARS that vest over four years and 58,000 nonqualified stock options, with 25 percent vesting upon issuance and the remaining awards vesting in installments of 25 percent per year commencing one year from the date of grant.

Restricted stock awards issued under the plans provide that shares awarded may not be sold or otherwise transferred until restrictions have lapsed or performance objectives have been attained as established by the Committee. Upon termination of employment, shares upon which restrictions have not lapsed must be returned to the company. Restricted stock issued under the plans totaled 351,630 shares, 197,257 shares and 4,500 shares in 2000, 1999 and 1998, respectively.

As permitted by Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" (SFAS No. 123), the company has elected to continue following the guidance of APB Opinion No. 25, "Accounting for Stock Issued to Employees," for measurement and recognition of stock-based transactions with employees. Recorded compensation cost for these plans totaled $3 million and $8 million in 2000 and 1999, respectively. During 1998, the company recognized a net credit of $9 million for performance-based stock plans. This amount includes $10 million of expenses accrued in prior years which were reversed in 1998 as a result of not achieving prescribed performance targets. Under APB Opinion No. 25, no compensation cost is recognized for the option plans where vesting provisions are based only on the passage of time. Had the company recorded compensation expense using the accounting method recommended by SFAS No. 123, net earnings and diluted earnings per share would have been reduced to the pro forma amounts as follows:

Year ended October 31,	2000	1999	1998
(in thousands, except per share amounts)			
Net earnings			
As reported	$123,949	$104,187	$235,344
Pro forma	115,098	95,297	218,958
Diluted net earnings per share			
As reported	$ 1.62	$ 1.37	$ 2.97
Pro forma	1.51	1.26	2.77

The fair value of each option grant is estimated on the date of grant by using the Black-Scholes option-pricing model. The following weighted-average assumptions were used for new grants:

	2000	1999	1998
Expected option lives (years)	6	6	5
Risk-free interest rates	6.03%	4.51%	5.83%
Expected dividend yield	1.74%	1.38%	1.19%
Expected volatility	39.81%	33.76%	29.85%

The weighted-average fair value of options granted during 2000, 1999 and 1998 was $18, $15 and $12, respectively.

The following table summarizes stock option activity:

	Stock Options	Weighted Average Exercise Price Per Share
Outstanding at October 31, 1997	3,921,303	$51
Granted	1,898,420	36
Expired or canceled	(844,664)	47
Exercised	(267,602)	37
Outstanding at October 31, 1998	4,707,457	47
Granted	1,079,810	43
Expired or canceled	(256,145)	47
Exercised	(303,736)	35
Outstanding at October 31, 1999	5,227,386	47
Granted	1,634,450	44
Expired or canceled	(617,624)	47
Exercised	(147,751)	39
Outstanding at October 31, 2000	6,096,461	$46
Exercisable at:		
October 31, 2000	3,352,234	
October 31, 1999	3,407,398	
October 31, 1998	3,210,580	

At October 31, 2000, there are 3,269,199 shares available for future grant. Available for grant includes shares which may be granted as either stock options or restricted stock, as determined by the Committee under the company's various stock plans.

At October 31, 2000, there are 6,096,461 options outstanding with exercise prices between $30 and $68, with a weighted-average exercise price of $46 and a weighted-average remaining contractual life of 5.8 years; 3,352,234 of these options are exercisable with a weighted-average exercise price of $49. Of the options outstanding, 4,533,611 have exercise prices between $30 and $45, with a weighted-average exercise price of $42 and a weighted-average remaining contractual life of 5.9 years; 1,873,871 of these options are exercisable with a weighted-average exercise price of $41. The remaining 1,562,850 outstanding options have exercise prices between $46 and $68, with a weighted-average exercise price of $59 and a weighted-average remaining contractual life of 5.7 years; 1,478,363 of these options are exercisable with a weighted-average exercise price of $60.

In connection with the separation of Massey from Fluor, all outstanding options will be adjusted to preserve the value of such options on the date of the distribution, including the conversion of options held by Massey employees to options for shares of Massey.

Lease Obligations

Net rental expense for continuing operations amounted to approximately $80 million, $77 million and $84 million in 2000, 1999 and 1998, respectively. The company's lease obligations relate primarily to office facilities, equipment used in connection with long-term construction contracts and other personal property.

During 1998, the company entered into a $100 million operating lease facility to fund the construction cost of its corporate headquarters and engineering center. The facility expires in 2004. Lease payments are calculated based on LIBOR plus approximately 0.35 percent. The lease contains an option to purchase these properties during the term of the lease and contains a residual value guarantee of $82 million. In addition, during 1999 the company entered into a similar transaction to fund construction of its Calgary office. The total commitment under this transaction is approximately $25 million.

The company's obligations for minimum rentals under noncancelable leases are as follows:

Year ended October 31,	
(in thousands)	
2001	$29,837
2002	27,451
2003	22,994
2004	14,999
2005	7,556
Thereafter	35,912

Contingencies and Commitments

The company and certain of its subsidiaries are involved in litigation in the ordinary course of business. The company and certain of its subsidiaries are contingently liable for commitments and performance guarantees arising in the ordinary course of business. Claims arising from engineering and construction contracts have been made against the company by clients, and the company has made certain claims against clients for costs incurred in excess of the current contract provisions. The company does not expect that the foregoing matters will have a material adverse effect on its consolidated financial position or results of operations.

Disputes have arisen between a Fluor Daniel subsidiary and its client, Anaconda Nickel, which primarily relate to the process design of the Murrin Murrin Nickel Cobalt project located in Western Australia. Both parties have initiated the dispute resolution process under the contract. Results for the year ended October 31, 1999 for the Fluor Daniel segment include a provision totaling $84 million for the alleged process design problems. If and to the extent that these problems are ultimately determined to be the responsibility of the company, the company anticipates recovering a substantial portion of this amount from available insurance and, accordingly, has also recorded $64 million in expected insurance recoveries. The company vigorously disputes and denies Anaconda's allegations of inadequate process design.

Financial guarantees, made in the ordinary course of business on behalf of clients and others in certain limited circumstances, are entered into with financial institutions and other credit grantors and generally obligate the company to make payment in the event of a default by the borrower. Most arrangements require the borrower to pledge collateral in the form of property, plant and equipment which is deemed adequate to recover amounts the company might be required to pay. As of October 31, 2000, the company had extended financial guarantees on behalf of certain clients and other unrelated third parties totaling approximately $26 million.

In connection with its 1997/1998 share repurchase program, the company entered into a forward purchase contract for 1,850,000 shares of its common stock at a price of $49 per share. The contract was settled for cash of $101.2 million ($54.72 per share) on November 30, 2000. As of October 31, 2000, the contract settlement cost per share exceeded the current market price per share by $19.35.

The company's operations are subject to and affected by federal, state and local laws and regulations regarding the protection of the environment. The company maintains reserves for potential future environmental costs where such obligations are either known or considered probable, and can be reasonably estimated.

The company believes, based upon present information available to it, that its reserves with respect to future environmental costs are adequate and such future costs will not have a material effect on the company's consolidated financial position, results of operations or liquidity. However, the imposition of more stringent requirements under environmental laws or regulations, new developments or changes regarding site cleanup costs or the allocation of such costs among potentially responsible parties, or a determination that the company is potentially responsible for the release of hazardous substances at sites other than those currently identified, could result in additional expenditures, or the provision of additional reserves in expectation of such expenditures.

In connection with the Massey spin-off, Massey will retain all contingent liabilities related to its business, including environmental matters.

Operations by Business Segment and Geographical Area

The company provides services on a global basis in the fields of engineering, procurement, construction, maintenance, operations, project management and business services. These services are grouped into three operating segments: Fluor Daniel, Fluor Global Services and Fluor Signature Services. The Massey Coal business is now a separate public company as a result of the recent spin-off and is reported as discontinued operations in the Consolidated Statement of Earnings.

Fluor Daniel consists of four business units: Energy & Chemicals; Manufacturing & Life Sciences; Mining; and Infrastructure. These units provide design, engineering, procurement and construction services on a worldwide basis to an extensive range of industrial, commercial, utility, natural resources and energy clients. The types of services provided by Fluor Daniel include: feasibility studies, conceptual design, detail engineering, procurement, project and construction management and construction.

Fluor Global Services consists of five business units: American Equipment Company; TRS Staffing Solutions; Fluor Federal Services; Telecommunications; and Operations & Maintenance. These units provide a variety of services to clients in a wide range of industries. The types of services provided by Fluor Global Services include: equipment sales, leasing, services and outsourcing for construction and industrial needs; temporary technical and non-technical staffing specializing in technical, professional and administrative personnel; services to the United States government; repair, renovation, replacement, predictive and preventative services to commercial and industrial facilities; and productivity consulting services and maintenance management to the manufacturing and process industries.

Fluor Signature Services is a single business unit established primarily to provide traditional business services and business infrastructure support to the company. Ultimately, such services may be marketed to external customers. Although operations for this segment did not start until November 1, 1999, historical total asset data has been presented for information purposes only.

The reportable segments follow the same accounting policies as those described in the summary of major accounting policies. Management evaluates a segment's performance based upon operating profit and operating return on assets. Intersegment revenues are insignificant. The company incurs costs and expenses and holds certain assets at the corporate level which relate to its business as a whole. Certain of these amounts have been charged to the company's business segments by various methods, largely on the basis of usage.

Engineering services for international projects are often performed within the United States or a country other than where the project is located. Revenues associated with these services have been classified within the geographic area where the work was performed.

Operating Information by Segment

(in millions)	Fluor Daniel	Fluor Global Services	Fluor Signature Services	Subtotal Continuing Operations	Massey Coal	Total
2000						
External revenues	$6,998	$2,953	$ 19	$ 9,970	$1,086	$11,056
Depreciation, depletion and amortization	3	99	39	141	171	312
Operating profit before special provision	128	77	1	206	105	311
Total assets (net assets for Massey Coal)	956	971	448	2,375	866	3,241
Capital expenditures	$ —	$ 166	$ 51	$ 217	$ 211	$ 428*
1999						
External revenues	$8,403	$2,931	—	$11,334	$1,083	$12,417
Depreciation, depletion and amortization	61	90	—	151	167	318
Operating profit before special provision	160	92	—	252	147	399
Total assets	1,017	1,041	$454	2,512	1,956	4,468
Capital expenditures	$ 25	$ 226	—	$ 251	$ 227	$ 478*
1998						
External revenues	$9,736	$2,641	—	$12,377	$1,127	$13,504
Depreciation, depletion and amortization	67	72	—	139	150	289
Operating profit	161	81	—	242	173	415
Total assets	1,270	968	$465	2,703	1,801	4,504
Capital expenditures	$ 91	$ 214	—	$ 305	$ 296	$ 601*

**Does not include Knowledge@Work expenditures of $68 million in 2000, $26 million in 1999 and none in 1998.*

Reconciliation of Segment Information to Consolidated Amounts

(in millions)	2000	1999	1998
Continuing Operations			
Total segment operating profit before special provision	$ 206	$ 252	$ 242
Special provision	18	(117)	—
Corporate administrative and general expense	(65)	(55)	(23)
Interest (expense) income, net	(15)	(2)	6
Other items, net	(2)	(1)	(2)
Earnings from continuing operations before taxes	$ 142	$ 77	$ 223
Discontinued Operations			
Total segment operating profit before special provision	$ 105	$ 147	$ 173
Interest expense, net	(28)	(30)	(30)
Other items, net	(8)	(8)	(3)
Earnings from discontinued operations before taxes	$ 69	$ 109	$ 140
Total Assets			
Total assets for reportable segments	$3,241	$4,468	$4,504
Cash, cash equivalents and marketable securities	69	210	341
Other items, net	343	208	174
Total assets	$3,653	$4,886	$5,019

Enterprise-Wide Disclosures

	Revenues from Continuing Operations			Total Assets		
(in millions)	2000	1999	1998	2000	1999	1998
United States*	$6,347	$ 6,643	$ 7,196	$1,984	$3,995	$4,082
Canada	1,421	855	315	151	141	97
Asia Pacific (includes Australia)	832	1,575	1,435	215	265	252
Europe	714	1,210	1,196	160	196	255
Central and South America	505	808	1,242	207	221	256
Middle East and Africa	151	243	993	70	68	77
Net assets of discontinued operations	—	—	—	866	—	—
	$9,970	$11,334	$12,377	$3,653	$4,886	$5,019

**Includes export revenues to unaffiliated customers of $0.4 billion in 2000, $1.4 billion in 1999 and $1.3 billion in 1998.*

Management's and Independent Auditors' Reports

Management

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

Philip J. Carroll, Jr.
Chairman of the Board and
Chief Executive Officer

Ralph F. Hake
Executive Vice President and
Chief Financial Officer

Report of Independent Auditors

Board of Directors and Shareholders
Fluor Corporation

We have audited the accompanying consolidated balance sheet of Fluor Corporation as of October 31, 2000 and 1999, and the related consolidated statements of earnings, cash flows, and shareholders' equity for each of the three years in the period ended October 31, 2000. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Fluor Corporation at October 31, 2000 and 1999, and the consolidated results of its operations and its cash flows for each of the three years in the period ended October 31, 2000, in conformity with accounting principles generally accepted in the United States.

Ernst + Young LLP

Orange County, California
November 30, 2000

Quarterly Financial Data

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

(in thousands, except per share amounts)[1]	First Quarter	Second Quarter[2]	Third Quarter	Fourth Quarter[2]
2000				
Revenues	$2,738,387	$2,295,662	$2,627,544	$2,308,561
Cost of revenues	2,667,345	2,246,054	2,592,694	2,259,714
Special provision	—	(17,919)	—	—
Earnings from continuing operations before taxes	52,641	53,187	12,494	23,899
Earnings from continuing operations	37,071	36,726	9,168	16,881
Net earnings (loss)	52,252	51,042	33,338	(12,683)
Basic earnings (loss) per share				
Continuing operations	0.49	0.49	0.12	0.22
Net earnings (loss)	0.69	0.68	0.44	(0.17)
Diluted earnings (loss) per share				
Continuing operations	0.49	0.48	0.12	0.22
Net earnings (loss)	$ 0.69	$ 0.66	$ 0.44	$ (0.17)
1999				
Revenues	$3,109,434	$2,837,953	$2,803,174	$2,583,794
Cost of revenues	3,053,054	2,778,857	2,733,186	2,517,944
Special provision	—	136,500	—	(19,300)
Earnings (loss) from continuing operations before taxes	46,055	(87,899)	49,860	68,565
Earnings (loss) from continuing operations	29,996	(89,727)	33,521	52,893
Net earnings (loss)	51,081	(72,895)	50,152	75,849
Basic earnings (loss) per share				
Continuing operations	0.40	(1.19)	0.45	0.70
Net earnings (loss)	0.68	(0.97)	0.67	1.00
Diluted earnings (loss) per share				
Continuing operations	0.40	(1.19)	0.44	0.70
Net earnings (loss)	$ 0.68	$ (0.97)	$ 0.66	$ 1.00

[1] *All periods have been restated to present the Massey Coal business as a discontinued operation.*

[2] *In March 1999, Fluor announced a new strategic direction, including a reorganization of the operating units and administrative functions of its engineering and construction segment. In connection with this reorganization, Fluor recorded a pre-tax charge of $136.5 million to cover direct and other reorganization related costs. In October 1999 and April 2000, Fluor reversed into earnings $19.3 million and $17.9 million, respectively, due to changes in its reorganization plans.*

Board Committees

Fluor Corporation's Board of Directors reflects many of the characteristics which are key to a strong, thoughtful approach to corporate governance and oversight. With 12 members comprised of three inside and nine outside directors, the Board possesses a good balance of both industry expertise and overall business knowledge.

There are regular quarterly meetings with numerous telephone discussions as necessary to handle matters requiring Board approval. Altogether there are six standing committees — the Executive Committee, Audit Committee, Finance Committee, Governance Committee, the Organization and Compensation Committee, and the Public Policy Committee. Through work on its committees and ongoing interactions with members of executive management, the Board is involved in practically every activity critical to the company's success, with a particular emphasis on corporate direction, strategy and executive succession.

Executive Committee [1]

Philip J. Carroll, Jr., Chairman

The Executive Committee acts on behalf of the Board with its full authority on matters which require resolution between regular Board meetings. The committee is comprised of the chairman of the Board and the chairmen of the Board's other five standing committees.

Audit Committee [2]

Peter J. Fluor, Chairman

The Audit Committee, which consists solely of independent outside directors, represents the Board in oversight of the company's financial condition, reporting procedures and financial controls. Each of the committee members has a working familiarity with basic accounting and related financial practices and at least one or more of the members of the Audit Committee has accounting or related financial management experience. Among the committee's many responsibilities are review of the company's annual report, Form 10-K and proxy statement. It also meets regularly with the company's internal auditors and financial management team to review accounting controls and practices. In addition, it meets both annually and quarterly with Ernst & Young, the company's independent auditors, to review the scope of its work and to ensure that appropriate policies and procedures are in place. The Audit Committee also adopts and approves a formal written charter which it annually reviews and reassesses. Finally, the committee nominates the firm of independent auditors for appointment by the Board and ratification by shareholders.

Finance Committee [3]

Dr. Martha R. Seger, Chairman

The Finance Committee provides the Board with oversight of, and recommendations regarding, the financial activities and needs of the company. The committee's specific duties include review and recommendations regarding debt financing arrangements, dividend policy and acquisitions and dispositions of major business units and capital assets. The committee also has oversight responsibility for the company's retirement and other employee benefit funds, risk management, including derivatives and foreign exchange transactions and performance of the company's own investments. In carrying out its functions, the committee works in close liaison with the chief financial officer of the company.

Governance Committee [4]

Dr. David P. Gardner, Chairman

The Governance Committee, which consists of all the outside directors of the company, focuses on the membership, roles and responsibilities of the Board of Directors. The committee recommends the organizational structure of the Board and the assignment of members to committees where much of the Board's work is conducted. All outside directors serve on at least two committees. In its search for new members, the committee looks for diversity of gender and race, as well as diversity in experience to help ensure the strongest capability possible in providing oversight and perspective. In addition, the committee facilitates participation by all directors in the affairs of the company. The accessibility between the Board and company management not only provides better insight to the directors on company activities but also facilitates the experience of the Board being readily available to company management whenever and wherever it can be most useful.

Organization and Compensation Committee [5]

Admiral Bobby R. Inman, Chairman

The Organization and Compensation Committee provides guidance and oversight regarding the company's organizational structure; the quality, diversity and depth of the executive management team; and the effectiveness of the company's compensation programs for management employees. The primary focus and philosophy of all company compensation programs is to ensure that they are linked directly to initiatives which will yield increasing levels of shareholder value. It is the committee's responsibility to see that management compensation is properly aligned and incentivised for further enhancement of shareholder value.

Public Policy Committee [6]

Vilma S. Martinez, Chairman

The Public Policy Committee provides guidance and recommendations regarding the company's policies and positions on significant public issues, the company's support of business, charitable and political organizations, and the company's workplace and employment practices. The committee functions as a key resource to the company in fulfilling its corporate citizenship objectives and responsibilities.

Board of Directors

Philip J. Carroll, Jr., 63, is chairman of the Board and chief executive officer. Joining Fluor in 1998, he previously spent 37 years with Shell Oil Company, serving as its president and chief executive officer for the last five years. He also serves as a director of Boise Cascade Corporation and Vulcan Materials Company. (1998) (1)

Governor Carroll A. Campbell, Jr., 60, is president and chief executive officer of the American Council of Life Insurers. He is a former two-term Governor of South Carolina, served in the U.S. House of Representatives and was a member of the Appropriations and Ways and Means committees. He was chairman of the National Governor's Association 1993-94. Governor Campbell is a director of AVX Corporation, Norfolk Southern Corporation, and Wackenhut Corporation. (1995) (2) (3) (4)

Peter J. Fluor, 53, is president and chief executive officer of Texas Crude Energy, Inc., and served as Fluor's non-executive chairman of the Board during fiscal 1998. He also serves as a director of Ocean Energy Corporation and Chase Bank of Texas, N.A. (1984) (1) (2) (4) (5)

Dr. David P. Gardner, 67, presently serves as chairman of the board of trustees of the J. Paul Getty Trust in Santa Monica, California. He recently retired as president of the William and Flora Hewlett Foundation and is president emeritus of both the University of California and the University of Utah. Dr. Gardner is also a director of the Waddell & Reed Funds of Kansas City, Missouri, and is a director of and advisor to several private corporations in California, Utah, and other parts of the country. (1988) (1) (4) (5) (6)

Thomas L. Gossage, 66, is the retired chairman (1996) and former president and chief executive officer of Hercules Incorporated. Mr. Gossage returned as interim chairman and chief executive officer of Hercules Incorporated in October 2000. Mr. Gossage also serves as a director of The Dial Corporation and Alliant Techsystems Inc. (1997) (3) (4) (5)

Admiral Bobby R. Inman, 69, U.S. Navy (retired), served as Director of the National Security Agency and Deputy Director of Central Intelligence. He is also a director of Massey Energy, Science Applications International, SBC Communications, Temple-Inland, and Xerox. (1985) (1) (4) (5) (6)

Vilma S. Martinez, 57, is a partner at the law firm of Munger, Tolles & Olson, and the former president and general counsel for the Mexican-American Legal Defense and Educational Fund (MALDEF). Ms. Martinez is also a director of Anheuser-Busch Companies, Inc., Sanwa Bank California, Shell Oil Company and Burlington Northern Santa Fe Corporation and serves on a variety of advisory boards and community organizations. (1993) (1) (2) (4) (6)

Dean R. O'Hare, 58, is chairman and chief executive officer of The Chubb Corporation, a leading provider of insurance and risk management services. He is a director and former chairman of the American Insurance Association and a director and former chairman of the International Insurance Society. He is also a member of the U.S. Trade Representative's Investment and Services Policy Advisory Committee. (1997) (2) (4) (5)

Lord Robin Renwick, 63, is vice chairman, Investment Banking, for J. P. Morgan, Europe, and a director of British Airways. During his distinguished 30-year career in the British Foreign Service, he served in senior posts in New Delhi, Paris and London, and was British Ambassador to South Africa (1987-91) and British Ambassador to the United States of America (1991-95). He was appointed to the House of Lords by Prime Minister Blair in 1997. (1997) (3) (4) (6)

James O. Rollans, 58, is president and chief executive officer of Fluor Signature Services. He joined Fluor in 1982 as vice president, Corporate Communications and was named senior vice president and chief financial officer in 1992. He was appointed senior vice president and chief administrative officer in 1994, and reassumed direct responsibilities of chief financial officer from 1998 to 1999. He serves as a director of Flowserve Corporation, Inovision, L.P., and the Irvine Medical Center. (1997)

Dr. Martha R. Seger, 68, is a distinguished visiting professor of Finance at Arizona State University and former member of the Board of Governors of the Federal Reserve System. She is also a director of Kroger, Massey Energy, Tucson Electric/Unisource Energy, and Xerox. (1991) (1) (3) (4) (6)

James C. Stein, 57, is president and chief executive officer of Fluor Global Services. He began his career at Fluor in 1964 and was named vice president of the Industrial Group in 1982. He received subsequent promotions, becoming group president of Diversified Services in 1994 when the group was formed. From 1997 to 1999, he served as president and chief operating officer of Fluor Daniel. He is a member of the U.S. Chamber of Commerce, the Business Roundtable Construction Committee and the University of California at Irvine, Graduate School of Management. He is a jury member for the Construction Innovation Forum, Construction Users Roundtable, and Center for Corporate Innovation. (1997)

Years in parentheses indicate the year each director was elected to the board. Except as indicated, all positions are with the company. Numbers in parentheses indicate membership on board committees as referenced on previous page.

Officers

Corporate Executives

Philip J. Carroll, Jr.
Chairman and Chief Executive Officer (1998)

Alan L. Boeckmann
President and Chief Operating Officer (1979)

James C. Stein
Vice Chairman (1964)

Lawrence N. Fisher
Senior Vice President, Law and Secretary (1974)

Key Operating Executives

Mark A. Stevens
Senior Executive, Sales, Marketing and Strategic Planning (1975)

Kirk D. Grimes
Group Executive, Energy & Chemicals (1980)

Jorge N. Borja
President, ICA Fluor Daniel (1993)

Robert A. McNamara
Group Executive, Industrial (1978)

Phillip J. Gard
President, Mining (1975)

Kenneth L. Smith
President, Manufacturing & Life Sciences (1996)

Ronald W. Oakley
Group Executive, Infrastructure (1979)

David E. Constable
President, Telecommunications (1982)

Stephen B. Dobbs
President, Transportation (1980)

Clarence L. Ray, Jr.
President, Duke/Fluor Daniel (1970)

Ronald G. Peterson
Group Executive (1995)

Gary C. Bernardez
President, AMECO (1985)

J. William Leistner
President, Global Services (1986)

Thomas L. Roell
President, Fluor Federal Services (1975)

James M. Smith
President, Property & Siting Services (1980)

James O. Rollans
Group Executive, Business Services (1982)

Henry C. VanDyke
President, Fluor Signature Services (1974)

Trevor J. Stafford
Senior Vice President, Project Execution Services (1989)

Lila J. Churney
Vice President, Investor Relations (1980)

Richard W. Robinson
President, Fluor Constructors International (1974)

Other Corporate Officers

Ralph F. Hake
Chief Financial Officer (1999)

Ronald L. Albright
Deputy Chief Financial Officer (1974)

Stephen F. Hull
Vice President and Treasurer (1996)

Victor L. Prechtl
Vice President and Controller (1981)

Arnold Steenbakker
Senior Vice President, New Ventures (1983)

Min-Ying C. Tseng
Vice President, Tax (2000)

H. Steven Gilbert
Senior Vice President, Knowledge@Work (1970)

Lisa Glatch
Senior Vice President, Human Resources and Administration (1986)

J. Clay Thompson
Senior Vice President, Construction (1967)

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

Shareholders' Reference

Common Stock Information

At December 31, 2000, there were 74,609,050 shares outstanding and approximately 11,725 shareholders of record of Fluor's common stock.

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

Common Stock and Dividend Information

	Dividends Per Share	Price Range High	Price Range Low
Fiscal 2000			
First Quarter	$0.25	$48^{1}/_{2}$	$37^{1}/_{4}$
Second Quarter	0.25	$39^{15}/_{16}$	$24^{3}/_{16}$
Third Quarter	0.25	$36^{9}/_{16}$	$29^{11}/_{16}$
Fourth Quarter	0.25	35	29
	$1.00		
Fiscal 1999			
First Quarter	$0.20	$45^{1}/_{16}$	$37^{11}/_{16}$
Second Quarter	0.20	$37^{7}/_{16}$	$26^{1}/_{4}$
Third Quarter	0.20	$42^{7}/_{8}$	$35^{1}/_{4}$
Fourth Quarter	0.20	$42^{5}/_{16}$	$37^{1}/_{2}$
	$0.80		

Form 10-K

A copy of the Form 10-K, which is filed with the Securities and Exchange Commission, is available upon request.
Write to:
Senior Vice President-Law
Fluor Corporation
One Enterprise Drive
Aliso Viejo, California 92656
(949) 349-2000

Registrar and Transfer Agent

Mellon Investor Services LLC
400 South Hope Street
Fourth Floor
Los Angeles, California 90071
and
Mellon Investor Services LLC
85 Challenger Road
Ridgefield Park, NJ 07660

For change of address, lost dividends, or lost stock certificates, write or telephone:

Mellon Investor Services LLC
P. O. Box 3315
South Hackensack, NJ 07606-1915
Attn: Securityholder Relations
(877) 870-2366

Requests may also be submitted via e-mail by visiting their web site at www.chasemellon.com

Independent Auditors

Ernst & Young LLP
18111 Von Karman Avenue
Irvine, California 92612

Annual Shareholders' Meeting

Annual report and proxy statement are mailed about February 1. Fluor's annual meeting of shareholders will be held at 9:00 a.m. on March 14, 2001 at the Fluor Daniel Building, One Fluor Daniel Drive, Aliso Viejo, California 92656.

Duplicate Mailings

Shares owned by one person but held in different forms of the same name result in duplicate mailing of shareholder information at added expense to the company. Such duplication can be eliminated only at the direction of the shareholder. Please notify Mellon Investor Services in order to eliminate duplication.

Stock Trading
Fluor's stock is traded on the New York Stock Exchange. Common stock domestic trading symbol: FLR.

Company Contacts
Shareholders may call
(888) 432-1745

Shareholder Services:
Lawrence N. Fisher
(949) 349-6961

Investor Relations:
Lila J. Churney
(949) 349-3909

Fluor's investor relations activities are dedicated to providing investors with complete and timely information.
All investor questions are welcome.

Web Site Address
www.fluor.com

Investor E-mail
Investor@fluor.com

Fluor is proud to be a corporate member since 1993 of the National Association of Investors Corporation (NAIC) and is a sponsor of the organization's "Own Your Share of America" campaign. Fluor's 1999 annual report was honored as the "Best of the Industry" in the Industrial Services category in NAIC's 2000 Nicholson Award Competition. www.oysa.org

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FLUOR

Fluor Corporation
One Enterprise Drive
Aliso Viejo, CA 92656

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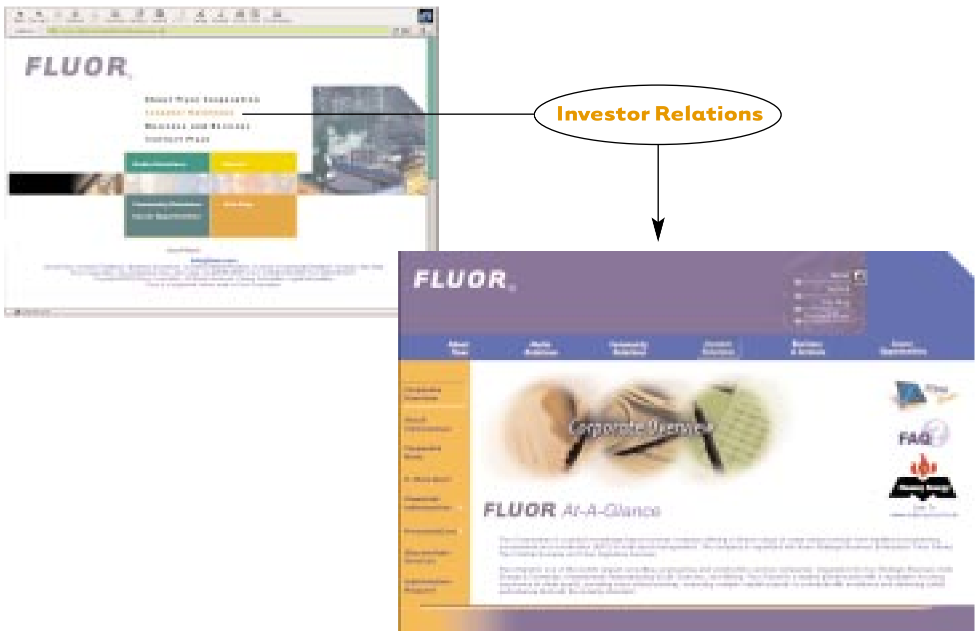

- Review the latest news releases for Fluor as well as a six-year archive
- Find Fluor's latest stock price
- Compare Fluor's stock performance versus the S&P 500
- Find several years of financial publications available for downloading or online viewing, including annual reports, fact books and SEC filings
- Review recent presentations by management to the investor community online
- Listen to conference calls live and replays online
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