

1999 Annual Report

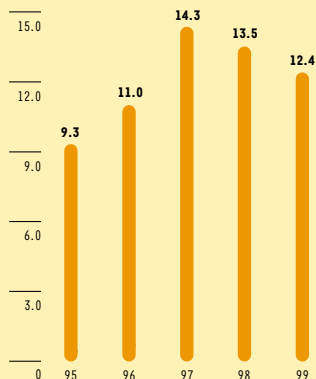
A New direction for

FLUOR

FLUOR

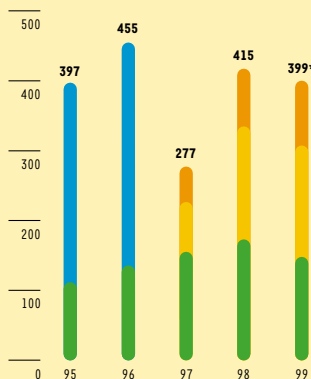
REVENUES

(\$ in billions)



OPERATING PROFIT

(\$ in millions)

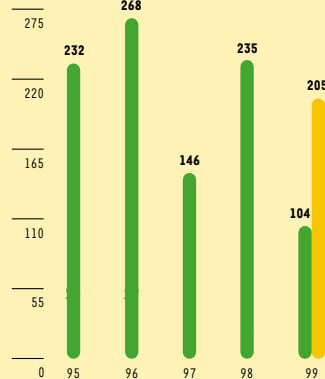


■ FLUOR DANIEL
 ■ FLUOR GLOBAL SERVICES
 ■ ENGINEERING & CONSTRUCTION
 ■ COAL

*1999 excludes the special provision of \$117 million which was not allocated to the business segments.

NET EARNINGS

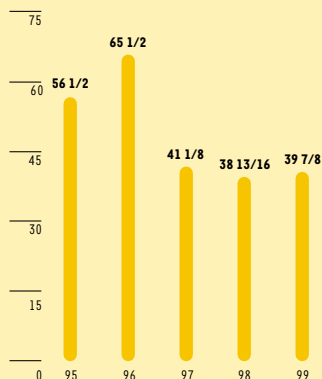
(\$ in millions)



■ NET EARNINGS AS REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES
 ■ PRO FORMA EARNINGS EXCLUDING AN AFTER-TAX SPECIAL PROVISION OF \$101 MILLION — FOR REFERENCE ONLY

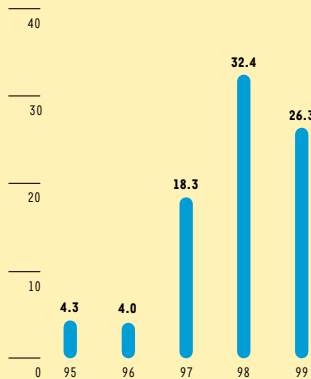
CLOSING STOCK PRICE

(dollars)



TOTAL DEBT TO CAPITALIZATION*

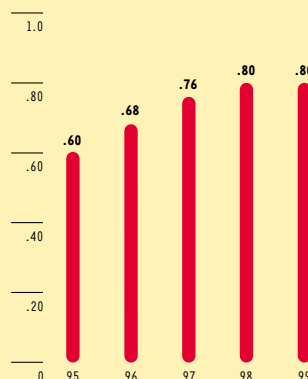
(percent)



*Includes trade notes payable.

DIVIDENDS

(dollars)



COMPANY DESCRIPTION

Fluor® Corporation is a professional services company offering a diverse range of value-added, knowledge-based services from traditional engineering, procurement and construction (EPC) to total asset management. Additionally, the company is a major U.S. producer of low-sulfur coal. The company is organized into four Strategic Business Enterprises: Fluor Daniel,™ Fluor Global Services,™ A.T. Massey Coal, and Fluor Signature Services.™

Fluor Daniel provides EPC services where it can create distinct value for a select group of clients across 15 primary industry segments.

Fluor Global Services provides a diverse, but integrated portfolio of services to clients outside their traditional EPC value chain, focused on leading edge business asset and operations management solutions to optimize the total life cycle of their asset base.

A.T. Massey is an acknowledged leader in the U.S. coal industry. Located in Central Appalachia, Massey produces high-quality, low-sulfur steam coal for the electric-generating industry and industrial customers, and metallurgical coal for the steel industry.

Fluor Signature Services provides administrative and business support services to Fluor operating units, with the additional objective to expand marketing of its services to external clients.

TABLE OF CONTENTS

1	Financial Highlights	28	Management's Discussion and Analysis
2	Chairman's Letter to Shareholders	38	Consolidated Financial Statements
6	Fluor At-A-Glance	54	Management's and Independent Auditors' Reports
8	Fluor Daniel Review	55	Quarterly Financial Data
13	Fluor Global Services Review	56	Board Committees
18	Operating Statistics: Fluor Daniel & Fluor Global Services	57	Board of Directors
20	A.T. Massey Review	58	Officers
23	Operating Statistics: A.T. Massey	59	Shareholders' Reference
24	Fluor Signature Services		
26	Financial Overview		
27	Selected Financial Data		

FINANCIAL HIGHLIGHTS

(in thousands, except per share amounts)	1999	1998	Percent Change
Fiscal Year			
Revenues	\$12,417,385	\$13,504,773	-8
Net earnings	104,187	235,344	-56
Earnings per share			
Basic	1.38	2.99	-54
Diluted	\$ 1.37	\$ 2.97	-54
Return on average shareholders' equity	6.8%	14.5%	—
Capital expenditures and acquisitions	\$ 504,334	\$ 612,937	-18
New awards	\$ 6,789,400	\$ 9,991,900	-32
Produced coal sold (thousands of short tons)	37,864	37,608	1
Cash dividends per common share	\$.80	\$.80	—
At Fiscal Year-end			
Working capital	\$ (294,139)	\$ (218,403)	NM
Total assets	4,886,117	5,019,208	-3
Backlog*	9,142,000	12,645,300	-28
Capitalization			
Short-term debt	247,911	430,684	-42
Long-term debt	317,555	300,428	6
Shareholders' equity	1,581,372	1,525,609	4
Total capitalization	\$ 2,146,838	\$ 2,256,721	-5
Total debt as a percent of total capitalization	26.3%	32.4%	—
Shareholders' equity per common share	\$ 20.80	\$ 20.19	3
Closing stock price	\$ 39.88	\$ 38.81	3
Salaried employees	25,282	30,751	-18
Craft/hourly employees	28,279	26,135	8
Total employees	53,561	56,886	-6

NM — Not meaningful.

*Backlog does not reflect A.T. Massey Coal operations or certain Fluor Global Services business units.

Note: The information contained in this annual report contains forward-looking statements regarding projected future earnings levels, return on assets, cost reductions, market outlook, new awards, backlog levels, competition, Year 2000 readiness, outsourcing trends, 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 delays incurred in the execution of construction contracts resulting in cost overruns or liabilities;
- Customer delays or defaults in making payments;
- Fluctuations in the demand for, and price of, coal and other natural resource commodities;
- The impact of judicial, legislative and administrative decisions impacting coal mining operations;
- Difficulties or delays incurred in the implementation of strategic initiatives; 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 these and other 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 Form 10-K filed January 27, 2000. 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.

TO OUR SHAREHOLDERS

REPOSITIONING *Fluor* for enhanced
shareholder VALUE

Fiscal 1999 marked significant progress towards achieving a number of important objectives. We steered Fluor in a

new strategic direction to reposition the company as a knowledge-based professional services and engineering, procurement and construction (EPC) company, with a significant investment in low-sulfur coal.

Fiscal 1999 was a disappointing year in terms of achieving earnings growth and improving our return on investment. The environment was unfavorable for many of our EPC and global services businesses and for Massey Coal. Initiatives to mitigate this difficult environment were successful and allowed us to achieve profit expectations for the year. Net earnings, excluding the effect in total of a special provision, were \$204.7 million, or \$2.70 per share, compared with \$235.3 million, or \$2.97 per share in 1998.

New Strategic Direction

Our new strategic direction, which was announced in March, included a number of components. The company has been realigned into four principal Strategic Business Enterprises (SBE's), each with clear performance accountability. Specific actions included clarifying roles and responsibilities as we implemented our new strategy, substantially reducing our costs, enhancing our project execution, and increasing selectivity in the projects and customers we serve.

The company's engineering and construction segment is now managed as two distinct SBE's: Fluor Daniel, which will focus purely on EPC opportunities; and Fluor Global Services, a diverse, but integrated portfolio of services designed to capitalize on increasing growth opportunities outside the traditional EPC value chain. Fluor Constructors, Inc. continues in its role as the union craft arm of Fluor Corporation. A.T. Massey, our Coal SBE, continues to focus on leveraging its exceptional management and market position to enhance shareholder value through emphasis on stronger cash flow and return on investment. Another SBE was created with the formation of Fluor Signature Services (FSS). This new enterprise is an important element of our new strategic direction and represents a new approach to providing business and administrative support services to Fluor operating units. By assigning responsibility for the delivery of these important services to

FSS, operating units are now able to devote their full energies on their core business activities. Additionally, the consolidation of business services within FSS will reduce costs, improve quality standards, and over time, provide an incremental earnings stream to the corporation.

Other key milestones achieved in 1999 included a reduction in gross overhead expenses by \$160 million annually which is expected to result in cost savings beginning in 2000 of \$100-120 million annually. Accomplishing this goal required closure of non-strategic offices and a reduction in personnel of approximately 5,000. This cost reduction is expected to translate into higher profit margins as our strategies and more selective market focus begin to stimulate renewed volume growth. A detailed business model process was implemented throughout the company to set priorities, assure financial discipline, enhance accountability and establish a culture of financial transparency. Meaningful progress was also achieved in driving increased selectivity towards higher-margin business opportunities. Selectivity is a continuing strategy across the company and will be supported by the recently formed global account management organization, reporting directly to me. Their primary objective is to broaden and strengthen relationships with our most important clients.

We also launched two important initiatives that will significantly impact our businesses in the coming years: *Knowledge@Work*SM — a major revamping of our work

processes and information management systems that will improve access to and use of company knowledge and the timeliness of financial and operating information; and a new brand architecture to create a visual identity for our new company structure and competitive strategy, linking our diverse range of services under the Fluor name, while creating individual identities for each of our Strategic Business Enterprises.

While much has been accomplished in 1999, further improvement is required to achieve our goals for sustained long-term earnings growth and higher levels of profitability, leading to enhanced shareholder value. We remain committed to our goals of achieving a return on assets above our cost of capital and delivering earnings per share growth of at least 10 percent annually. We are also committed to growing the capability of our organization individually and collectively so that we can more profitably serve customer needs.

Financial Condition

Fluor's financial condition remains strong, with both our debt ratio and interest coverage supporting a solid "A" investment grade credit rating. We significantly reduced short-term debt during the year which lowered our total debt to capitalization ratio to 26 percent from 32 percent a year ago. We are aggressively working to reduce the level of assets employed in our businesses to further enhance returns.

As a sign of our improving business outlook and continuing financial strength, Fluor's Board of Directors declared a 25 percent increase in the quarterly dividend for 2000 to 25 cents per share, compared with 20 cents in 1999. Additionally, our dividend policy was changed for the first time in many years. The payout

guideline was increased to 30-35 percent of earnings from the previous 25-30 percent, and will now be based on long-term operating performance expectations. Previously, our dividend payout was based on the company's prior year's earnings performance.

Fluor Daniel

Faced with continuing weakness in several global economic markets and abnormally low oil prices at the beginning of 1999, Fluor Daniel implemented actions to mitigate the effects of a deteriorating business environment, as well as steps to reposition the company for long-term profitability and growth. Marketing and sales efforts were focused on a narrower client base where differentiated value could be delivered, offering higher margin potential. Backlog and new awards declined in 1999, as expected from a year ago, primarily reflecting the market slow down experienced over the past two years, along with our emphasis on improving margins. However, increased selectivity, accompanied by cost reductions and increased accountability, began to produce positive results. Reported gross margin, along with new awards and backlog gross margins, all achieved meaningful improvement in 1999. Continuing improvement in global economic conditions which are favorable to increased capital spending by clients is creating growing optimism for new business in 2000 and beyond.

Fluor Global Services

Formed in 1999, Fluor Global Services brings together a variety of non-EPC services capabilities. These services

offer attractive incremental revenue growth and earnings for Fluor as the result of changing client needs and the continuing trend toward outsourcing. Importantly, Fluor Global Services has the potential to significantly broaden our participation in our clients' total spending across the entire life cycle of their asset base. The majority of the services provided by Fluor Global Services have a more stable and predictable earnings pattern which should help mitigate the more cyclical nature of our traditional EPC business.

We are particularly encouraged by the outstanding growth potential for Fluor Global Services' Telecommunications unit, which was awarded several key contracts in 1999, with significant additional work anticipated in 2000. The Operations & Maintenance unit is also benefiting from its new strategic approach to delivering value in this large and growing market.

A.T. Massey Coal

A.T. Massey delivered commendable performance in 1999 despite an extremely challenging coal market. They are an acknowledged leader in the U.S. coal industry and continue to outperform industry peers on virtually every criteria, from financial results to safety performance.

Global economic conditions, unfavorable currency exchange rates, and mild weather created difficult conditions in both Massey's steam coal and higher-margin metallurgical coal markets. This resulted in softened demand and deteriorating prices for coal. To offset these conditions, Massey implemented a number of operational changes to reduce costs and maintain operating margins, as well as optimize return on assets. As the lowest cost producer in its geographic market, Massey is much better positioned to withstand these difficult times than its competition.

Fluor Signature Services

Fluor Signature Services is our newest Strategic Business Enterprise. It officially began operations at the start of 2000. Created as a distinct enterprise with profit-and-loss accountability, its charter is to provide business and administration support services to Fluor's operating units. Their immediate goal is to help the corporation further reduce costs, streamline work processes and to identify and measure where value is created within the company.

Management Changes

As part of the organizational restructuring, Alan Boeckmann has assumed leadership of Fluor Daniel, Jim Stein is now leading Fluor Global Services, and Don Blankenship continues to lead A.T. Massey Coal. Jim Rollans, our former chief financial officer, is heading up Fluor Signature Services.

In June, we were pleased to welcome Ralph Hake as executive vice president and chief financial officer, succeeding Jim Rollans. Ralph joins us from Whirlpool where he served since 1987, overseeing various global business and financial operations, most recently as senior executive vice president and chief financial officer.

Thank You

I would like to extend my personal appreciation to our board of directors and employees for the tremendous effort that has been undertaken to reposition our company and achieve our goal to deliver improved shareholder value in the years to come.



I am confident that we are moving well down the path to realize the potential we envision from our new strategic direction.

Lastly, let me add my appreciation for the support and confidence of our shareholders who have stayed with us through our transition to a new Fluor in the new millennium.

A handwritten signature in black ink that reads "Philip J. Carroll, Jr." The signature is written in a cursive, flowing style.

Philip J. Carroll, Jr.

*Chairman and Chief Executive Officer
January 13, 2000*

FLUOR AT-A-GLANCE

Operating globally, Fluor's Strategic

Business Enterprises offer a diversified mix of business services to its clients, ranging from its traditional engineering, procurement and construction services to total asset management solutions. Fluor's coal company, A.T. Massey, continues its leadership in low-sulfur coal production and optimization of product mix.

STRATEGIC BUSINESS ENTERPRISE

FLUOR DANIEL



The Fluor Daniel Strategic Business Enterprise now provides engineering, procurement and construction services to selected clients through five Strategic Business Units: Chemicals & Life Sciences; Oil, Gas & Power; Mining; Manufacturing; and Infrastructure. Fluor Daniel's new organizational structure emphasizes a narrowed market focus on

15 primary industry segments where it possesses competitive strengths and provides added value to clients. A key element of Fluor Daniel's strategic focus is an emphasis on targeted marketing and strengthening key client relationships.

FLUOR GLOBAL SERVICES



During 1999, the six Strategic Business Units of Fluor Global Services (FGS) were segregated from Fluor Daniel into a separate Strategic Business Enterprise. The new enterprise is positioned to capitalize on significant growth opportunities being created by new growth markets, increased outsourcing and changing client needs. FGS is a diverse, but integrated, portfolio of services assembled to provide

added value outside the clients' traditional EPC value chain, consisting of American Equipment Company (AMECO®), TRS Staffing Solutions, Fluor Federal Services,SM Telecommunications, Operations & Maintenance and Consulting Services.

A.T. MASSEY COAL



An acknowledged leader in the U.S. coal industry, Massey is the strongest and most successful coal company in the U.S., measured by safety or comparative financial performance. Through its operating subsidiaries, Massey produces high-quality, low-sulfur steam coal for the electric-generating industry and

industrial customers, and metallurgical coal for the steel industry. Massey enjoys a strong market position as the low-cost producer of Central Appalachian coal. Total coal sales volume in 1999 was 38 million tons.

FLUOR SIGNATURE SERVICES

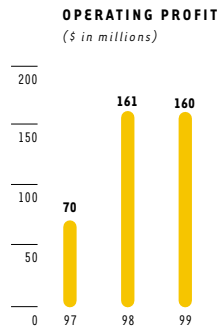
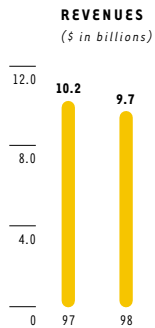


A major component of Fluor's strategic direction, Fluor Signature Services (FSS) is a new and distinct business enterprise with profit-and-loss accountability. Its charter is to deliver business administrative and support services to multiple operating units within Fluor Corporation and to external clients. FSS is dedicated to delivering business effectiveness and

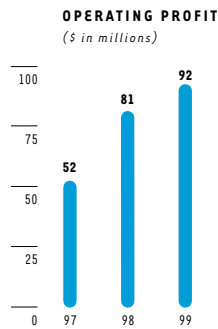
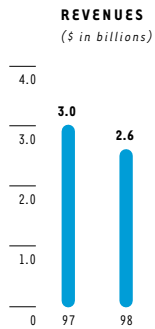
creating value for Fluor. The organization leverages Fluor's investment in people, processes and technology to improve its delivery of business services. It is organized into individual lines of business services in the areas of finance, information technology, safety, human resources, office services and performance solutions.

FINANCIAL RESULTS

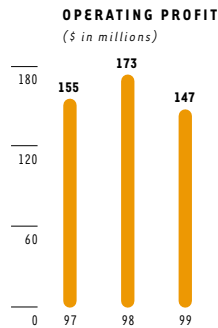
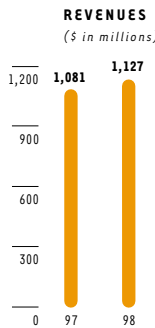
KEY STRATEGIES



- Through a narrowed market focus and increased client selectivity, Fluor Daniel is concentrating on opportunities where differentiated value can be delivered, offering the potential for higher margins.
- Implementation of structural cost reductions, improved selectivity, and increased accountability are all directed at achieving enhanced shareholder value through sustainable, profitable growth.

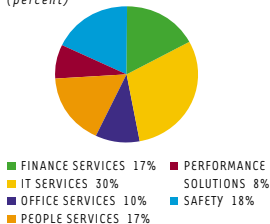


- Fluor Global Services' mission is to provide customized and integrated services that optimize the total life-cycle of clients' assets better than any competitor.
- Fluor Global Services' goal is to become the dominant provider of outsourced asset optimization capabilities.
- With continued strong growth in outsourcing trends, FGS is enhancing its full-scale capabilities to meet demands for cutting-edge facilities and knowledge-based services.

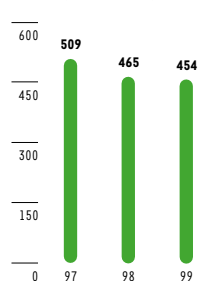


- Massey has been implementing a long-term strategy to continually widen its competitive advantage through constant focus on lowering production costs, increasing sales volume and optimizing its business mix to capitalize on its highest margin opportunities.
- Responding to difficult market conditions in 1999, Massey implemented aggressive actions to further reduce costs and maintain or increase its competitive advantage and market share.

HEADCOUNT BY LINE OF BUSINESS AS OF NOVEMBER 1, 1999
(percent)



TOTAL ASSETS*
(\$ in millions)



- By establishing Fluor Signature Services, the corporation has moved forward in the strategic direction it set to reduce costs, streamline operations, improve quality standards, and identify and measure the value created by the services provided.
- Fluor Signature Services' goal is to become an efficient, innovative and customer-centric team that creates value for all of the enterprises and the shareholders of Fluor Corporation.

*For informational purposes only.

FLUOR DANIEL

During fiscal 1999, Fluor Daniel,

Fluor's engineering, procurement and construction business, underwent significant change with the implementation of a new strategic direction to enhance its long-term earnings power and growth potential. Extensive analysis of clients' changing needs, historical profitability of individual client relationships and Fluor Daniel's competitive strengths led the company to narrow its market focus and concentrate on fewer clients but with greater value-added potential for improved profitability.



Fluor Daniel's aspirations to achieve earnings growth in the coming year and beyond, are supported by encouraging results in 1999, which reflect its focus on structural cost reductions, improved project selectivity and providing true value-added services.



ALAN L. BOECKMANN
*President and
Chief Executive Officer
Fluor Daniel*

For 1999, Fluor Daniel generated \$160 million in operating profit compared with \$161 million in 1998. Along with a new organizational structure and focus on selectivity, Fluor Daniel significantly reduced its overhead costs, including a leaner but more efficient network of global offices. Gross margins on 1999 earnings improved

to 5.7 percent from 4.8 percent and operating margins increased to 1.9 percent from 1.7 percent.

New awards declined to \$4.8 billion from \$8.2 billion last year. Backlog at year-end was \$6.8 billion, down from \$10.4 billion a year ago. The decrease in new awards and backlog in large part reflects the market slowdown of the past two years; however, it also reflects the company's emphasis on margin improvement through greater project and market selectivity. Gross margins on new awards for the year improved to 7.2 percent from 6.0 percent a year ago, and backlog margins increased to 4.6 percent from 4.0 percent last year.

Chemicals & Life Sciences

Fluor Daniel's Chemicals and Life Sciences business unit provides differentiated services to meet the global investment and business needs of its targeted customers. The unit serves the petrochemical, specialty and fine chemical, pharmaceutical and biotechnology market sectors.

Capital investment by chemical customers has been flat to down over the past two years due to the Asian financial crisis, lower oil prices and customer focus on industry consolidation resulting from major mergers and acquisitions. Improving global economic conditions and market fundamentals, however, suggest a recovery in chemical capital spending for new projects should begin in late 2000.

Life Sciences capital investment in tax-advantaged countries, including Puerto Rico, Ireland and Singapore, remains strong. Fluor Daniel has long been the industry leader in Puerto Rico, has expanded its presence in Ireland through teaming agreements with local companies, and is building a growing base of experience and capabilities in Singapore.

In petrochemicals, a number of large projects are developing in China, where Fluor Daniel has a significant presence and base of experience. We are nearing completion on a major film plant for Kodak in China, which is being successfully executed utilizing our growing engineering office in Manila. We also are well positioned for developing opportunities in the Middle East and Europe as well, where major chemical and petrochemical facilities are also being planned.

Our technology expertise is creating growth opportunities where we can profitably leverage key customer relationships by matching available technologies with regional market needs and feedstock availability. A new dimension is partnering with clients such as the joint venture agreement announced recently with DuPont to license, design and construct facilities utilizing DuPont's "next generation" PET technology, NG-3.



WARNER LAMBERT

Fluor Daniel's Chemicals & Life Sciences unit has been providing engineering, procurement, construction management and validation services at Warner Lambert's bulk pharmaceutical manufacturing complex at Cork County, Ireland. The plant produces Lipitor, the cholesterol-lowering compound that has become one of the most successful pharmaceutical products ever launched.

Oil, Gas & Power

Fluor Daniel's Oil, Gas and Power business is an integrated services supplier to a broad spectrum of energy industries, ranging from upstream production and refining to power generation, and all of the business activities which increasingly link these related areas.

While soft market conditions existed in early 1999 for the traditional energy business due to low oil prices and an uncertain global economic outlook, the domestic power market gained momentum. Increasing global demand for energy, coupled with a recovery in oil prices and increasing demand for power, are creating good growth prospects.

There are signs of recovery in the upstream market for new oil and gas production. For example, we were awarded a contract to provide engineering and procurement services for the Bayu Undan offshore oil facilities in the Timor Sea. Additionally, our work continues on various pipeline projects in the Caspian Sea region. Advancements in technologies have improved the economics for development of oil sands, and we are in various stages of work with most of the major oil sands producers in Canada.

Our strong technology expertise in clean fuels also offers near-term opportunities. Significant experience on prior clean fuels projects with California refineries is providing a distinct advantage as the U.S. federal government, Canada and various European environmental protection agencies follow California's early lead. Additionally, we have been selected by Phillips Petroleum to build the pilot plant for its new clean-fuels technology process.

Pent-up demand and deregulation has created a robust market for new power generation facilities in the U.S. and selected international markets. Duke/Fluor Daniel, our joint venture company serving this market, is well established with a strong record of experience and a growing list of repeat clients. Duke/Fluor Daniel was awarded seven new power generation facilities in 1999, and was released to proceed on a 454-megawatt coal-fired power plant in Puerto Rico shortly after fiscal year-end.

Mining

Fluor Daniel's business unit serving the mining industry implemented significant change in 1999 to address disappointing performance in recent years and a severe cyclical downturn in its global market. The organization has been restructured, overhead costs substantially reduced and a more selective approach to future business opportunities has been implemented.

A key objective is to cultivate and strengthen relationships with selected clients and to broaden our services to meet their asset management needs. Utilizing an account management approach and increasing the depth of our understanding of the business needs of a select customer group, we can increase our opportunities to deliver knowledge-based solutions. Our goal is to become a full-service partner for our best clients.



PEMEX EXPLORACION Y PRODUCCION

ICA Fluor Daniel, our joint venture company in Mexico, provides EPC services for the world's largest nitrogen generation complex for Pemex, the national oil company, in Campeche, Mexico. The facility, owned and operated by an international consortium in which ICA Fluor Daniel is an equity partner, will deliver nitrogen to offshore facilities for enhanced oil recovery.

The highly cyclical mining industry has been in a significant downturn, exacerbated by the dramatic drop in Asian demand, while significant new production capacity was coming onstream. Improving metals prices suggest a long-term recovery is now beginning which is resulting in an increased level of studies and overall proposal activity. Unlike many Fluor Daniel markets, there remain relatively few global competitors, particularly with the capability to handle large, complex and frequently remote mining projects.

The prospects for new business opportunities is encouraging with renewed development of copper, gold and silver projects in South America and iron ore and laterite-nickel projects in Australia, both markets where Fluor Daniel has recognized experience and market presence. Another area of emerging opportunity is southern Africa, where Fluor Daniel recently was awarded a contract for a small gold mine project.

Manufacturing

Fluor Daniel provides engineering and construction services to manufacturing clients around the world, primarily in the consumer products, food and beverage and microelectronics industries. Additionally, the Manufacturing unit has specialized expertise in

construction management for pharmaceutical and biotechnology facilities.

The Manufacturing unit offers a value proposition to targeted clients which is focused on being the lowest total cost supplier of services with certainty of function, cost and schedule. Fluor Daniel is particularly well positioned to assist clients who are moving to a global production platform and are striving to improve their productivity and return on assets by operating under a total cost of ownership business model.

A key challenge for many manufacturing customers is to deliver continuing revenue growth in an increasingly competitive environment. They can leverage Fluor Daniel's global reach and differentiated skill sets to capitalize on growth opportunities in emerging markets and reduce schedules to bring new products to market more rapidly. The Manufacturing unit is investing in the development of methodologies and technologies, which focus on compressing traditional project schedules, increasing yield and facilitating modifications to existing facilities to produce new products.

The microelectronics market offers particularly strong growth potential. Demand has now caught up with supply, prices are firming and advances in technology are fueling new investment. Fluor Daniel is recognized as a major supplier of services to this attractive, high-growth market, and is working closely with a number of large, key customers. During 1999, Fluor Daniel was awarded contracts for a major wafer fabrication facility in Malaysia, and for a major microelectronics facility in the Philippines. Significant new project opportunities are developing worldwide with the outlook for strong investment by microelectronics manufacturers over the next several years.



FPL ENERGY AND PANDA ENERGY

Duke/Fluor Daniel is providing turnkey EPC and commissioning services for two 1,000-megawatt electric power generating plants in Texas. The first power plant, Lamar (pictured), is owned by FPL Energy and Panda Energy International while the second project, Guadalupe, is owned by Texas Independent Energy, a 50/50 joint venture between Panda Energy and PSEG Global.

Infrastructure

Fluor Daniel's Infrastructure business unit has established a strong reputation and market presence working on large, highly selective projects. Fluor Daniel's program management, financing expertise, problem solving and partnership management skills have added considerable value to these projects.

In the U.S., funding from the \$200+ billion federal transportation bill, known as TEA 21, is now beginning to stimulate new programs and projects across the country. During 1999, Fluor Daniel was awarded the second phase of the Conway Bypass project in South Carolina, and was also selected by the South Carolina Department of Transportation to provide construction and resource management support for the statewide highway development program. South Carolina's innovative approach to road construction is a model being emulated by several other states.

Additionally, a number of significant rail projects, utilizing the public/private partnering model, are now being aggressively developed in Europe. Fluor Daniel is focused on opportunities which fit its selectivity

criteria in the United Kingdom and The Netherlands, where we have a strong local presence. A Fluor Daniel joint venture with Mott MacDonald has been preliminarily selected by Britain's Railtrack as one of three primary suppliers of program management services for a more than \$2 billion performance improvement project on one of the U.K.'s most heavily traveled rail lines. These sizable and complex rail projects are long-term in nature and include operations and maintenance opportunities which offer the potential of a predictable earnings stream over many years.

Additional opportunities are developing for expansions at major international airports where continued increases in global air traffic has taxed capacity. Fluor Daniel is program manager for a major expansion project at JFK International airport and is tracking a number of possible new prospects.

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 GLOBAL SERVICES

Working closely with its clients,

Fluor Global Services provides a full range of leading edge business asset and operations management solutions – including operations, maintenance and consulting services; construction and industrial equipment; contract and direct-hire personnel and training; and program and asset management services to industries around the world – with the goal of becoming the dominant provider of outsourced asset optimization capabilities.



The Mission of Fluor Global Services is to assist every client in achieving a sustainable competitive advantage and profit growth by providing customized and integrated services that optimize the total life-cycle of their assets better than any competitor.



JAMES C. STEIN
*President and
Chief Executive Officer
Fluor Global Services*

During 1999, Fluor Daniel's Diversified Services Group underwent a significant restructuring and transitioned from being a division of Fluor Daniel to a separate Strategic Business Enterprise. Renamed Fluor Global Services (FGS), the new enterprise is well positioned to capitalize on significant growth opportunities being created

by new and changing client needs. FGS is a diverse, but integrated, services portfolio of six Strategic Business Units assembled to provide value-added services outside the clients' traditional EPC value chain, consisting of American Equipment Company, TRS Staffing Solutions, Fluor Federal Services, Telecommunications, Operations & Maintenance and Consulting Services.

Operating profits for FGS increased 13 percent in 1999 to \$92 million compared to \$81 million in 1998. Annual new awards grew 12 percent over last year, with gross margins increasing to 7.8 percent from 7.6 percent in 1998. Backlog increased by 6 percent, with gross margins declining slightly to 6.1 percent from 6.4 percent a year ago.

The future offers significant opportunity at a time when outsourcing non-core activities by clients is gaining increased momentum, as they focus on their core businesses and look for creative and cost-competitive approaches to improve productivity and return on assets. As clients restructure their in-house capabilities, Fluor Global Services' ability to deliver tailored solutions to

meet individual needs, including total life-cycle asset management and performance improvement services is timely. With the continued strong growth in outsourcing trends, FGS is enhancing its full-scale capabilities to meet its customers' growing demand for cutting-edge facilities and knowledge-based services to meet the challenges of competition.

American Equipment Company (AMECO)

American Equipment Company (AMECO) provides a full array of construction equipment, tool and fleet management services on a global basis, focused on reducing its customers' total cost at construction projects and plant environments. To better serve its clients, AMECO reorganized into three business lines: Fleet Services — providing outsourcing services to targeted industrial markets; Site Services — providing complete equipment and tool programs for capital construction projects; and Dealerships — providing new and used equipment sales and rentals, parts and service in targeted geographic regions.

AMECO faced a challenging business environment in 1999. Industry consolidation in the U.S. created intensely competitive markets, while business conditions in Asia and Latin America remained depressed from previous activity levels. However, the U.S. equipment rental market is expected to continue to grow at more than 20 percent annually. AMECO's markets in Canada, Mexico and Puerto Rico remained strong, and there are encouraging signs that Asia and South America are beginning to rebound.

AMECO's Fleet Services unit, established in 1999 to capitalize on the outsourcing trends in the industry, grew rapidly during the year. Fleet Services has been successful at providing total fleet management solutions to clients in many industries, including chemicals, steel and refining. During 1999, AMECO entered into an



PHILLIPS PETROLEUM

AMECO provides on-site fleet and tool management services to Phillips Petroleum at their Borger, Texas refinery.

outsourcing agreement with a large chemical manufacturer to manage client-owned tools and small equipment, as well as handle purchases of new tools for client personnel. AMECO also expanded outsourcing agreements with a large aluminum manufacturer and a major oil company.

Additionally, to create a value advantage for an increasing number of clients, AMECO is working with other Fluor business units to cross-sell a variety of Fluor's services. For example, this year, AMECO and FGS' Operations & Maintenance unit renewed a long-standing relationship with TXU, a major energy service company, to provide integrated plant maintenance, equipment and tool services to their network of plants.

TRS Staffing Solutions

TRS Staffing Solutions (TRS) is a global enterprise of staffing specialists with a focus on serving high-growth, high-margin segments in temporary, contract and direct-hire positions. Over the past few years, TRS has been pursuing a strategy to expand its global presence and capitalize on strong market growth. However, 1999

brought clear recognition that the expansion effort had been overly aggressive, increasing overhead expenses beyond current business activity levels. Additionally, a significant reduction in its Fluor Daniel related workload further contributed to TRS' business challenges. As a result, TRS implemented a number of significant actions during 1999 to address its performance shortfall and return to profitability.

Under new leadership, TRS closed unprofitable branch offices and dramatically reduced operating expenses, resulting in a return to profitability in the fourth quarter of 1999. As a result of a comprehensive strategic review of its business strengths and market potential, TRS refined its target market to focus on information technology, accounting and finance, and certain select engineering disciplines.

A key focus for TRS' reenergized management team will be a renewed emphasis on building stronger client relationships, including implementation of a large account management strategy to increase market share with existing customers as well as develop new ones with large volume potential.

Specific initiatives include the introduction of TRS' Managed Staffing Services offering, commonly referred to as Vendor On Premise within the staffing industry. This program represents a true distinction in providing value to clients by managing the entire procurement, hiring and reporting processes necessary to effectively recruit and retain staff. TRS is also uniquely positioned to play a key role in FGS' strategy to provide value-creating outsourcing solutions for its customers. Additionally, TRS is developing and will implement a state-of-the-art internet/e-commerce strategy to increase the speed and quality of its services and capitalize on the enhanced growth potential this new technology offers.



U.S. DEPARTMENT OF ENERGY

Fluor Federal Services is the prime contractor for the remediation of the Department of Energy's Hanford site in Washington. Pictured is a prototype calciner at Hanford's Plutonium Finishing Plant, which began converting corrosive plutonium solutions to a stable, dry powder for safe storage in September of 1999.

Fluor Federal Services

Fluor Federal Services (FFS) provides a range of services to the United States Federal Government that include project management execution, business management systems, architectural and engineering services, construction and construction management. Through FFS, federal clients receive innovative solutions such as concept to closure planning and execution, unique cost effective approaches to contract structuring, best commercial practices, outsourcing and economic transition expertise.

FFS is a major contractor for the Department of Energy (DOE) including prime contractor roles at the DOE's Hanford, Washington and Fernald, Ohio sites where remediation of these former nuclear weapons plants is taking place. FFS is now a recognized leader in this market because of its experiences and success on these two key projects. The national need for management of the DOE sites contributes to a large market that

has more predictability and level budgets than many other markets. The unit intends to increase its share of the \$10 billion DOE market.

FFS also works with the Department of Defense through its Logistical Civil Augmentation contract, where FFS was called upon to help build installations in East Timor, and with the Federal Emergency Management Agency through a Technical Assistance Contract. Successful experience with these government agencies has demonstrated the unit's capacity to respond to clients' needs and has helped validate FFS' strategy of selling its services to these and other federal customers on a greatly expanded level.

FFS will maintain a focus on prime contract management along with traditional engineering, procurement, construction and operational opportunities in carefully selected situations. Participation as a team member in strategic alliances is also pursued to address specific project opportunities.

Telecommunications

FFS' Telecommunications unit is establishing itself as a leading provider of program management services for the rapidly expanding global telecommunications market. Following a comprehensive restructuring of its sales and marketing strategy, Telecommunications delivered outstanding performance in 1999, winning more than \$600 million in new awards compared with an average of \$150 million for the previous three years. These results were achieved by limiting bid and proposal activity in favor of a strategic account management process, which focused on selected key clients to build a sustainable, profitable business.

The Telecommunications unit has been encouraged by its results from being selective, as world-class clients have chosen the unit as their implementation management partner of choice. Level 3 Communications selected Telecommunications for a \$320 million project to manage its Local Loop IP Network buildout of fiber-optic cable and point-of-presence units, which has been primarily fueled by the growth of the Internet. The unit also expanded its involvement with AT&T to include a broad service offering to AT&T Fixed

Operations & Maintenance

Operations & Maintenance (O&M) provides innovative and competitive asset management services across a wide range of industries including manufacturing; fossil and nuclear power; oil and gas; and chemicals and life sciences. O&M's strategy is to continually migrate up the clients' value chain from providing maintenance and operations services to total asset management, offering the opportunity to deliver significant value to our customers through reduced operating costs and improved performance. This in turn can create further opportunities utilizing an integrated package of Fluor capabilities.

The market for O&M services is large and continues to grow steadily as companies focus on their core competencies and outsource non-core services. Fluor has a strong base of expertise and experience in the O&M services market, including world-class people, technologies, processes and management skills, which can be leveraged against its broad cross-industry exposure to achieve significant long-term growth.

Key to capitalizing on the market growth potential, as well as increasing market share, will be client focus and differentiated value. O&M's approach is to structure its compensation to be strongly performance related, sharing in savings achieved for clients in their total operating costs. Client receptivity to this value proposition has been encouraging.

Consulting Services

The Consulting Services unit, with a major presence in the United States and Western Europe, provides clients with professional advisory services and operational diagnostics to reach optimum business performance.

Consulting Services also improves the positioning of other Fluor units for the implementation of actions recommended by this unit. Synergies are especially evident with Operations & Maintenance as clients worldwide move towards outsourcing and asset optimization. Through the Consulting Services unit, FGS can help assess a client's needs, provide strategies and tactical approaches and offer long-term solutions in asset management.



LONDON UNDERGROUND LIMITED

London Underground Limited selected FGS' Telecommunications unit for the \$500 million Connect project, where Fluor played a leading role in sourcing and arranging the private debt and equity capital to finance the project. Pictured from left to right, following the contract signing, are Denis Tunnicliffe, chief executive, London Transport; Derek Smith, managing director, London Underground Limited; Patrick Flaherty, vice president, Global Business Development for Fluor Corporation; and Jim Rummings, vice president and project director, Fluor Global Services.

Wireless Services, AT&T Broadband and Internet Services and AT&T Local Services. Signifying a strong start in FY2000, Telecommunications was recently named program manager of a \$500 million project to provide a new integrated radio and transmission communications network for the London Underground subway system. These strategically significant programs are propelling this unit to a clear leadership role in this high-growth and dynamic market.

The telecommunications market is tremendous in size and continues to grow at a phenomenal rate. The Telecommunications unit is challenged to selectively penetrate this market and be positioned with strategic clients to capture new project opportunities as waves of new technology drive the market and expand geographically. Time to market is crucial. The emerging and incumbent wireless and wireline carrier market, along with North America and Western Europe, are all high-growth, high-revenue markets where Telecommunications is focusing its time and resources.

OPERATING STATISTICS

Year ended October 31,	1999	1998	1997
(in millions)			
Fluor Daniel			
Revenues	\$ 8,403	\$ 9,736	\$10,180
Customer-furnished material included in revenues	3,786	3,916	4,948
Work performed	\$ 8,403	\$ 9,736	\$10,180
Gross margin percent	5.7%	4.8%	3.5%
Operating profit	\$ 160	\$ 161	\$ 70
New awards	\$ 4,757	\$ 8,173	\$10,366
New awards gross margin percent	7.2%	6.0%	5.0%
Backlog	\$ 6,770	\$10,403	\$12,269
Backlog gross margin percent	4.6%	4.0%	3.2%
Salaried employees	18,147	24,060	24,942

Fluor Global Services			
Revenues	\$ 2,931	\$ 2,642	\$ 3,038
Work performed	\$ 2,055	\$ 1,857	\$ 2,615
Gross margin percent	9.4%	11.2%	8.7%
Operating profit	\$ 92	\$ 81	\$ 52
New awards	\$ 2,032	\$ 1,819	\$ 1,756
New awards gross margin percent	7.8%	7.6%	9.6%
Backlog	\$ 2,372	\$ 2,242	\$ 2,101
Backlog gross margin percent	6.1%	6.4%	5.7%
Salaried employees	6,011	5,554	5,359

Backlog by Strategic Business Enterprise

Fluor Daniel			
Chemicals & Life Sciences	\$ 1,964	\$ 4,130	\$ 4,414
	29%	40%	36%
Oil, Gas & Power	2,583	2,134	3,298
	38%	20%	27%
Mining	657	1,890	2,931
	10%	18%	24%
Manufacturing	1,170	1,749	1,420
	17%	17%	12%
Infrastructure	396	500	206
	6%	5%	1%
Total backlog	\$ 6,770	\$10,403	\$12,269
	100%	100%	100%

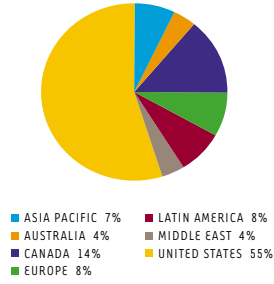
Fluor Global Services			
Fluor Federal Services	\$ 710	\$ 781	\$ 1,000
	30%	35%	48%
Telecommunications	525	135	179
	22%	6%	9%
Operations & Maintenance	1,127	1,217	827
	48%	54%	39%
Consulting Services and Other	10	109	95
	-%	5%	4%
Total backlog	\$ 2,372	\$ 2,242	\$ 2,101
	100%	100%	100%

Total Backlog by Location

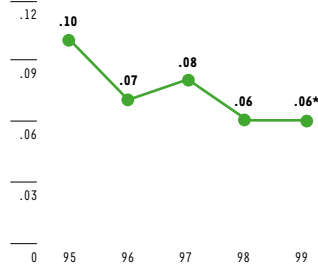
Year ended October 31,	1999	1998	1997	1996	1995
(in millions)					
United States	\$ 5,008	\$ 5,911	\$ 5,665	\$ 7,326	\$ 6,666
	55%	47%	39%	46%	45%
Asia Pacific (includes Australia)	998	2,260	3,959	4,402	3,303
	11%	18%	28%	28%	23%
EAME*	1,074	2,023	3,828	2,677	3,088
	12%	16%	27%	17%	21%
Americas	2,062	2,451	918	1,352	1,668
	22%	19%	6%	9%	11%
Total backlog	\$ 9,142	\$12,645	\$14,370	\$15,757	\$14,725
	100%	100%	100%	100%	100%

* EAME represents Europe, Africa and the Middle East.

**FLUOR
1999 BACKLOG BY REGION**
(percent)

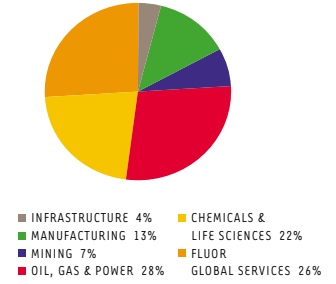


**FLUOR
SAFETY PERFORMANCE**
(lost workday incidence rates)

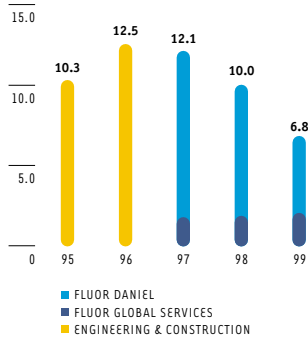


*Sixty times better than the national industry average.

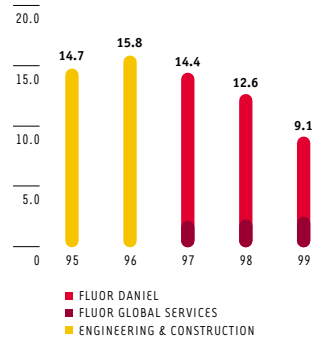
**FLUOR
1999 BACKLOG BY INDUSTRY**
(percent)



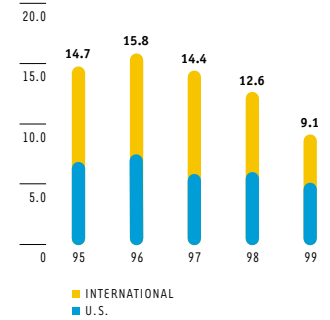
TOTAL NEW AWARDS
(\$ in billions)



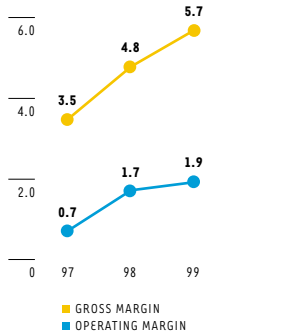
TOTAL BACKLOG
(\$ in billions)



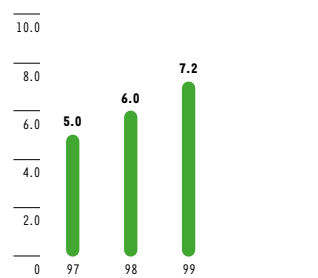
**TOTAL BACKLOG
U.S. vs. INTERNATIONAL**
(\$ in billions)



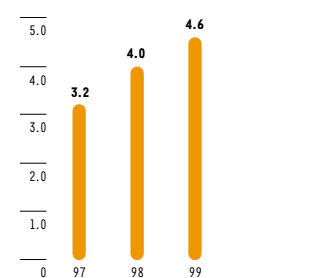
**FLUOR DANIEL
GROSS MARGIN AND
OPERATING MARGIN**
(percent)



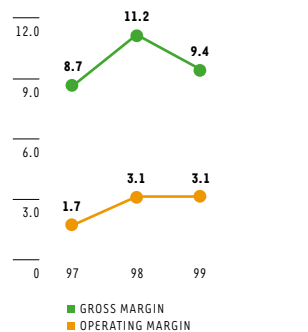
**FLUOR DANIEL
NEW AWARDS
GROSS MARGIN**
(percent)



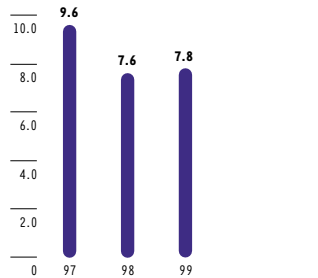
**FLUOR DANIEL
BACKLOG
GROSS MARGIN**
(percent)



**FLUOR GLOBAL SERVICES
GROSS MARGIN AND
OPERATING MARGIN**
(percent)



**FLUOR GLOBAL SERVICES
NEW AWARDS
GROSS MARGIN**
(percent)



**FLUOR GLOBAL SERVICES
BACKLOG
GROSS MARGIN**
(percent)



A.T. MASSEY

A.T. Massey is an acknowledged

leader in the U.S. coal industry. Measured by safety or comparative financial performance, Massey is the strongest and most successful coal company in the U.S. Through its operating subsidiaries, Massey produces high-quality, low-sulfur steam coal for the electric-generating industry and industrial customers, and metallurgical coal for the steel industry.



Through Massey's strategy of investment in new high-quality reserves and modern mining equipment and procedures, it has delivered an enviable record of consistent double-digit earnings growth for a number of years. However, extremely difficult market conditions prevailed in 1999, which resulted in an earnings decline for the first time in many years. Nevertheless, Massey continued to significantly outperform its industry peers on virtually every measurable criteria.



DON L. BLANKENSHIP
*President and
 Chief Executive Officer
 A.T. Massey Coal*

For the year, Massey generated operating profit of \$147 million, consistent with our expectations, but down from \$173 million in 1998. Massey implemented aggressive actions to reduce costs in 1999 to offset unfavorable market conditions and continues to focus on strategies that will maintain or increase its competitive advantage. Total coal sales volume of 37.9 million tons in 1999

was essentially flat compared with the previous year, but lower realized prices and a less favorable sales mix more than offset continued productivity improvements and cost reduction.

Global economic conditions in 1999 created unfavorable currency exchange rates which caused U.S. metallurgical exports to be non-competitive and also attracted increased imports of cheap foreign steel. This reduced sales volumes for U.S. steel producers, lowering domestic demand for metallurgical coal and causing Massey's export sales to decline to 4 million tons in 1999 from 5.6 million tons last year. As a result, Massey's metallurgical coal sales declined 18 percent to 14.9 million tons. Realized prices for metallurgical coal sales declined 2 percent to \$32.34 per ton in 1999. Volume and price declines in higher-margin metallurgical coal were the most significant factors in lowering Massey's operating margin in 1999 to 13.6 percent, compared with 15.3 percent last year.

Despite diminished export opportunities, Massey successfully increased its metallurgical coal shipments to Canada and concentrated on the European steel producer market where its high-volatile metallurgical coal retains a distinct quality advantage.

Signs of economic recovery in Asia, along with strengthening foreign currency exchange rates, suggests the flow of cheap steel into the U.S. market may diminish and demand should begin to recover in traditional geographic markets. As a result, near-term demand for U.S. metallurgical coal is expected to stabilize and prices appear to be firming. Renewed growth will be a function of continued improvement in global economic conditions and Massey's ability to increase its market share through its product quality, service, reliability of supply, and price.

Massey faced significant challenges in the domestic market for steam coal as well. Deregulation of the electric-generating industry and implementation of Phase II of the Clean Air Act have been widely anticipated to create additional demand for low-sulfur steam coal. Unfortunately, increased pressure to switch to alternative fuel sources such as gas, significant increases in Central Appalachian coal production capacity in anticipation of demand growth, mild weather that has limited demand for electricity, and greater-than-expected penetration of Eastern coal markets by Western coal producers, all have combined to produce a flat market with declining prices. Within this market environment, Massey increased its steam coal sales by 18 percent to 22.9 million tons, while realized prices declined 4 percent to \$25.83 per ton.

Massey continues to capitalize on attractive opportunities in the niche industrial coal sales market. Massey has significantly increased its industrial coal sales market share through partnering with key customers on coal handling facility improvements. The facility upgrades are designed to reduce coal costs for the customer and enhance sales volume for Massey.

While declining steam coal prices and difficult market conditions continue to present challenges to



ELK RUN COAL

With an annual shipping capacity of more than nine million tons, the Elk Run operating subsidiary in Sylvester, West Virginia, is Massey Coal's largest shipping facility.

the U.S. coal market, Massey's significant cost advantage over its Central Appalachian competitors positions it not only to withstand hard times, but potentially to capitalize on them. With the exception of Massey, most Central Appalachian coal producers are heavily in debt and are delivering poor financial performance. The prospect that many of these producers will not be able to continue to sell coal below their production costs will likely result in reduced supply and create opportunities for Massey to increase its market share.

Massey has widened its substantial cost advantage over the past several years through a highly focused strategy of reserve acquisitions and investment to continually lower production costs. Given the difficult and rapidly changing market environment, Massey has undertaken additional actions to further reduce costs and maintain or increase its competitive advantage.

Anticipating reduced near-term market demand, Massey curtailed its capital investment plans for new production capacity in 1999 and expects to further reduce its capital spending in 2000. Current efforts are directed at optimizing production from existing mines with the lowest production costs.

Although reserve acquisitions in 1999 consisted of relatively small properties, total reserves increased 14 percent to 2.1 billion tons, as additional reserves were proven up on existing properties. Two significant mine projects were completed in 1999, which continued the strategy to develop previously acquired high-value reserves.

Massey achieved startup of the Justice longwall during the year, its second state-of-the-art longwall operation. Justice has an annual capacity of 4 million tons. A longwall mining system greatly increases productivity and reserve recovery in large underground coal seams. Additionally, production from the new Alex Energy surface mine began in 1999, with an annual production capacity of approximately 3 million tons per year. Surface mines offer the advantage of lower costs compared with traditional underground mines, and



NICHOLAS ENERGY

The new Alex Energy surface mine, which began production in 1999, is located at Massey's Nicholas Energy operating subsidiary in Summersville, West Virginia.

even surpass the highly efficient longwall operations in cost efficiency. Including these two new mining operations, 43 percent of Massey's 1999 production came from mining operations that have cost advantages over most traditional underground continuous mining methods.

Despite the increased challenges presented by coal market conditions in 1999, a key strength of Massey has been its ability to change in response to a changing global business environment. It has prospered

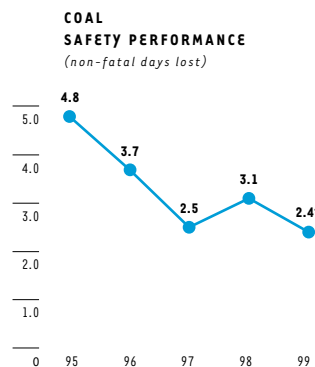
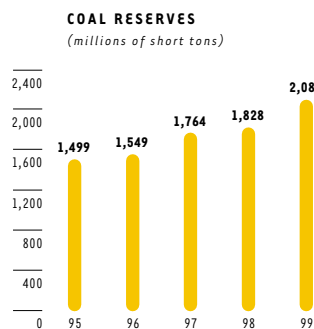
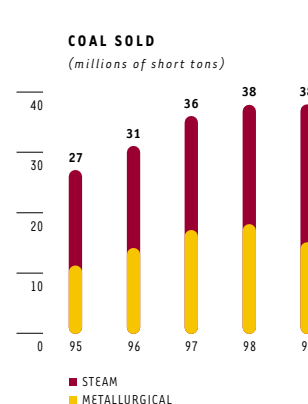
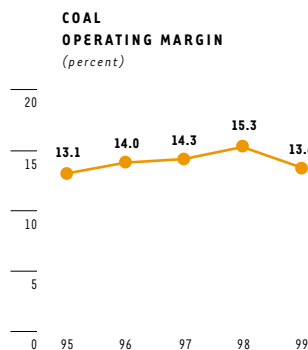
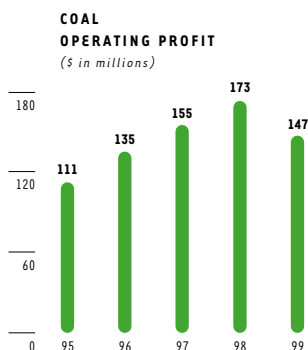
and grown despite several years of a slowly declining coal market by being willing to be different from its competitors.

Worker safety continues to be of paramount importance at Massey and is reinforced by a Safety First (S-1) program that exceeds federal and state requirements. Massey's safety performance, already nearly two times better than the industry average, further improved in 1999 to 2.4 non-fatal days lost incidence rate from

3.1 last year. Massey's S-1 program provides for ongoing reviews of all aspects of coal mining and processing, and every Massey operation must pass rigorous safety audits. Massey rates itself against the highest standards in its industry and works with manufacturers and suppliers to design safety into the equipment, gear and tools used daily in its operations.

OPERATING STATISTICS

Year ended October 31,	1999	1998	1997	1996	1995
(in thousands/in thousands of short tons)					
Coal					
Revenues	\$1,083,030	\$1,127,297	\$1,081,026	\$960,827	\$849,758
Operating profit	\$ 146,857	\$ 172,762	\$ 154,766	\$134,526	\$111,033
Produced coal sold					
Steam coal	22,916	19,398	19,300	17,520	15,777
Metallurgical coal	14,948	18,210	16,343	13,571	11,633
Total produced coal sold	37,864	37,608	35,643	31,091	27,410
Total employees	3,190	3,094	2,968	2,809	2,479



*Nearly two times better than the national industry average.

FLUOR SIGNATURE SERVICES

Fiscal 1999 marked the creation of

a shared services organization within Fluor Corporation. A major component of Fluor's strategic direction, Fluor Signature Services is a new and distinct business enterprise with profit-and-loss accountability. Its primary charter is to deliver business administrative and support services to multiple operating units within Fluor Corporation, with the additional objective to expand marketing of its services to external clients.





JAMES O. ROLLANS
*President and
 Chief Executive Officer
 Fluor Signature Services*

By establishing Fluor Signature Services, the corporation has moved forward in the strategic direction it set to reduce costs, streamline operations, improve quality standards, and identify and measure the value created by the services provided.

This new enterprise brings a new approach to doing business. By assuming responsibility for the delivery of business and support services, Fluor Signature Services will allow the operating units to focus on their core businesses. Business leaders will define and choose to purchase services needed to achieve peak performance in their organizations. Consolidating business services in one organization should reduce costs and improve quality standards.

Fluor Signature Services is dedicated to delivering business effectiveness and creating value for Fluor. The organization leverages Fluor's investment in people, processes and technology to improve its delivery of business services. It is organized into individual lines of business services in the areas of finance, information technology, safety, human resources, office services and performance solutions.

Accomplishments for FY1999 include:

- A successful transition was achieved from an overhead administrative structure, largely integrated with operating entities, to a separate organization accountable for profit and loss. Establishing this enterprise in terms of structure, services and business infrastructure in eight months required a great deal of effort. Fluor Signature Services' members are to be congratulated for its successful beginning.
- Customer needs and expectations were met with no service interruption during the transition period.
- Cost-reduction efforts in FY1999 resulted in a significant savings. Cost effectiveness will be an ongoing effort while providing customers with the level of service required.

Fluor Signature Services has a unique opportunity to provide its customers with a distinct competitive advantage by providing and managing business and

administrative services on their behalf. Priorities for FY2000 will result in substantial reductions in costs and assets employed while improving satisfaction in those areas most important to customers.

Objectives for FY2000 include:

- Achieving the goal of operating as a self-sustaining organization with break-even performance for the first year of operation.
- Improving customer satisfaction and exceeding their expectations. Customer satisfaction measures will be implemented including a quarterly monitoring process.
- Delivering services more cost effectively and developing new ways to deliver services more efficiently.
- Improving the financial returns on the corporation's real estate and information systems assets and certain investments. Real estate, a major asset area, will be addressed with the objective of obtaining a higher rate of return. Fluor's real estate investment has a book value of \$270 million and a current return on those assets well below our cost of capital. Reducing ownership of real estate holdings and defining and meeting the long-term real estate needs of the corporation is a key objective.
- Piloting the deployment of the Enterprise Resource Management system, and championing its use in customer organizations.
- Providing training and development opportunities to build the skill base of our people.

The organization's goal is to become an efficient, innovative and customer-centric team which creates value for all of the enterprises and the shareholders of Fluor Corporation. As a growing and successful professional organization, it will create new and expanded career opportunities for its members.

The company's transition to a shared services concept in providing business services is a major change for Fluor Corporation. Fluor Signature Services will have the opportunity to redefine itself and demonstrate areas in which it excels and provides measurable added value. The organization is very appreciative of its customers' support during the transition period. Through the building of an effective customer/supplier relationship, Fluor Corporation and Fluor Signature Services' members and customers will benefit from the shared objective of improving costs, quality and responsiveness.

Fluor Signature Services is looking forward to an exciting, rewarding year and creating a measurable and positive impact on Fluor Corporation's performance.

FLUOR

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