**1994 Key Achievements**

**COMPANY DESCRIPTION**
Fluor Corporation is one of the world's largest international engineering, construction, maintenance and diversified services companies, with an important investment in low-sulfur coal. Fluor Daniel, the company's principal operating business, provides a broader range of technical services to more clients in more industries and geographic locations than any global competitor. Fluor Daniel provides global capability from more than 50 offices worldwide. A.T. Massey, Fluor's coal operation, ranks among the top five U.S. coal companies, producing high-quality, low-sulfur steam coal for the electric generating industry, as well as industrial customers, and metallurgical coal for the steel industry.

### Fiscal Year

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>1994</th>
<th>1993</th>
<th>Percent Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>$8,485,267</td>
<td>$7,850,169</td>
<td>8</td>
</tr>
<tr>
<td>Net earnings</td>
<td>192,399</td>
<td>166,800</td>
<td>15</td>
</tr>
<tr>
<td>Net earnings per share</td>
<td>$2.32</td>
<td>$2.03</td>
<td>14</td>
</tr>
<tr>
<td>Return on average shareholders' equity</td>
<td>17.4%</td>
<td>17.4%</td>
<td>—</td>
</tr>
<tr>
<td>Capital expenditures</td>
<td>$301,358</td>
<td>$171,517</td>
<td>76</td>
</tr>
<tr>
<td>New awards</td>
<td>8,071,500</td>
<td>8,000,000</td>
<td>1</td>
</tr>
<tr>
<td>Produced coal sold (thousands of short tons)</td>
<td>23,833</td>
<td>21,192</td>
<td>12</td>
</tr>
<tr>
<td>Cash dividends per common share</td>
<td>$0.32</td>
<td>$0.48</td>
<td>8</td>
</tr>
</tbody>
</table>

### At Fiscal Year-end

<table>
<thead>
<tr>
<th>Financials</th>
<th>1994</th>
<th>1993</th>
<th>Percent Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Working capital</td>
<td>$3,571,143</td>
<td>$3,781,121</td>
<td>-37</td>
</tr>
<tr>
<td>Total assets</td>
<td>2,834,708</td>
<td>2,588,884</td>
<td>9</td>
</tr>
<tr>
<td>Backlog</td>
<td>14,021,900</td>
<td>14,731,000</td>
<td>-5</td>
</tr>
<tr>
<td>Capitalization</td>
<td>24,366</td>
<td>59,637</td>
<td>-59</td>
</tr>
<tr>
<td>Long-term debt</td>
<td>1,280,456</td>
<td>1,044,132</td>
<td>17</td>
</tr>
<tr>
<td>Shareholders' equity per common share</td>
<td>$40.75</td>
<td>$40.75</td>
<td>0</td>
</tr>
<tr>
<td>Closing stock price</td>
<td>40.75</td>
<td>40.75</td>
<td>0</td>
</tr>
<tr>
<td>Salaried employees</td>
<td>17,088</td>
<td>17,759</td>
<td>-4</td>
</tr>
<tr>
<td>Craft/hourly employees</td>
<td>22,719</td>
<td>20,273</td>
<td>9</td>
</tr>
<tr>
<td>Total employees</td>
<td>39,807</td>
<td>38,512</td>
<td>3</td>
</tr>
</tbody>
</table>

The quarterly dividend was increased from $.12 per share to $.13 per share in the first quarter of 1994 and to $.15 per share in the first quarter of 1995.

**Operating Profit from Continuing Operations**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Dollars</td>
<td>0.32</td>
<td>0.20</td>
<td>0.32</td>
<td>0.48</td>
<td>0.62</td>
</tr>
</tbody>
</table>

**Stock Price**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Dollars</td>
<td>80</td>
<td>90</td>
<td>90</td>
<td>90</td>
<td>90</td>
</tr>
</tbody>
</table>

**Management's Discussion and Analysis**

Fluor Corporation is dedicated to long-term growth. As a service company, we will provide value to our clients and achieve growth through the expertise, innovation and creativity of our thousands of employees working in more than 60 countries. Our employees pictured are, from left: Eduardo Gonzalez, accounting supervisor, Santiago; Kimberly L. Morgan, HVAC design engineer, Greenville; and Wu Dong Yang, engineer, Beijing.

We are reducing costs of operations in every area. Through the increased use of electronic design and production, this annual report was produced at a significantly lower cost than in previous years.
Dear Fellow Stockholder:

On behalf of the board of directors and employees, I am pleased to report that your company has completed another successful year. Fluor Corporation’s 1994 net earnings surpassed last year’s historical high with numerous record-level performance. Fluor Daniel, our engineering, construction and diversified services business, and A.T. Massey, our low-sulfur coal operation, each achieved all-time record operating profits. This was particularly encouraging given that both were operating in markets that can only be described as rapidly changing and intensely competitive.

Highlights of the year:

- Net earnings for the company advanced 15 percent to $102 million or $2.32 per share, the highest in our more than 100-year history.
- Fluor Daniel generated operating profit growth of 17 percent to $299 million and ended the year with a backlog of $14 billion. This marks the seventh consecutive year in which operating profits grew by 15 percent or better.
- Fluor Daniel improved its safety record and continues to rank as the world’s safest contractor by a wide margin.
- A major restructuring effort was initiated throughout Fluor Daniel. Both organization-structures and work processes were streamlined to shorten time frames, reduce costs, access global resources and gain better alignment with customers.
- A.T. Massey achieved operating profit growth of 18 percent to $95 million. Low-sulfur coal reserves were increased to 1.4 billion tons, nearly double the level of three years ago. Massey’s safety performance improved to about two times lower than the coal industry average—our goal is to improve even further.
- The Doc Run Company, our load investment, was sold in accordance with the commitment made to stockholders in last year’s report.
- The company ended the year with an exceptionally strong balance sheet—nearly $500 million in cash and securities. Our long-term debt now represents 2 percent of total capitalization.
- In December 1994, quarterly dividend payments to stockholders were increased 15 percent to 15.4 cents per share. On an annualized basis, this payout represents approximately 20 percent of 1994 earnings. Our dividend guideline is to pay out approximately 25 percent of prior year earnings.
- While we take pride in these 1994 accomplishments, performance is most meaningful if it can be maintained over a period of years. We have spoken at length about our commitment to the creation of shareholder value by striving continuously for superior performance—more specifically, by ranking each year in the top quartile of the S&P 500 in earnings growth, return on stockholders’ equity and balance sheet strength.

As we start in last year’s annual report, superior performance can only be sustained if we constantly evaluate and realign all aspects of the company to meet the changing needs of our clients and the global marketplace. In the fast-paced industries in which we operate, maintaining the status quo can be as going backward. Early in the year, I became concerned that even though we had enjoyed years of success, we were beginning to show some disturbing characteristics. We weren’t aggressive enough in listening to either our clients or the marketplace. We were getting complacent and slow to react. Our decision process needed to be streamlined and signs of bureaucracy and cost issues had to be addressed.

We established task forces to study the internal and external issues we were facing and determine what we were, and what we need to be. It was clear that to remain in a growth mode and continue to be viewed as the leader in the industry, changes needed to be made.

Since then, a great deal has been done, both structurally and culturally. In fact, more changes were made in 1994 than in any time since the company was restructured in 1986-87.

Two senior levels of structure were eliminated. An organization was put in place to capitalize on our vast industry and geographic diversity. Senior executives were reassigned based on their unique skills and experience. More authority and responsibility, with attendant accountability, have been delegated to executives. This decentralized approach allows us to make better decisions more rapidly and close to our market, a clear benefit to our clients.

A new group, Diversified Services, was formed to offer our core capabilities to clients outside the traditional project cycle. Our Strategic Planning and Project Finance organizations were restored and are now a part of our Marketing Group. This ensures that we stay in front of our clients’ changing needs.

We coerced staff functions of corporate and Fluor Daniel into one organization. Work processes are being streamlined with the objectives of higher quality, faster response times and lower costs. A new position, chief information officer, was established, to oversee all aspects of this important function. A nationally prominent executive in this field was recruited from another major corporation to fill this position.

The structural changes made this past year will only be effective if they are accompanied by cultural changes. Entrepreneurship, openness, innovation, responsiveness, flexibility and teamwork must become more integral to our culture if we are to achieve yet a higher level of performance. The dedication of each and every employee to adopt these principles so that we work FASTER, BETTER, CHEAPER and SAFER for our clients is essential. Cultural change cannot be accomplished overnight, but we have made an excellent start.

The Executive Committee of the board was strengthened and now includes our three standing board committee chairmen, who are not company employees. Bill Grant, Bob Inman and Rod Lindsey, along with myself.

Fluor welcomes a new director to the board in January 1995 with the election of Carroll Campbell. During his eight-year tenure as governor of South Carolina, he led one of the most active pro-business states in the U.S. Carroll, who is a creative thinker on global trade and commerce issues, will be a valuable addition to our board.

Another significant change relative to board matters was the December 1994 retirement of David S. Tappan, Jr., formerly chairman and chief executive officer of the corporation. We are deeply grateful to Dave for his leadership and his many contributions to Fluor over his more than 40 years of service.

On a personal note, I underwent surgery for the removal of a low-grade cancerous tumor in late February, as announced at that time. The operation took me out of commission for a few weeks. I’ve had several post-operative examinations, and I am pleased to report that the doctors have given me a clean bill of health. I feel great.

The company was selected by the Administration to represent U.S. business at the Asia Pacific Economic Cooperation (APEC) conference in Jakarta. APEC’s charter is to enhance free trade and investment liberalization in the region. The Indonesian representative and I chaired the effort, which involved both large and small companies from disparate industries. We saw 35 business representatives of the 18 member countries come together with a cooperative spirit to identify barriers to free trade across borders. This was a fascinating experience, and I returned home from this conference greatly impressed by the scope of opportunities and convinced that global change continues to accelerate.

Our appreciation goes out to all who have contributed to our success. This includes our directors and international advisors who have provided strong support and guidance, our thousands of talented employees working in more than 60 countries and our stockholders. We also wish to express our appreciation to our clients who have selected us as their contractor or coal supplier.

Les McCraw
Chairman and Chief Executive Officer
January 17, 1995

A Conversation with Chairman Les McCraw

In the following interview, Les McCraw answers questions recently asked by the financial community, employees and clients regarding the company's outlook and restructuring activities.

What is creating growth opportunities for Fluor?

Because of the rapid pace of global geopolitical change and, more importantly, economic development, our opportunities are only limited by our own creativity and the competitiveness of our work processes. Emerging economies such as those in Asia Pacific and Latin America are spurring investment in basic infrastructure to support advancing economies. Fluor Daniel has the capability to provide significant value in developing the industrial infrastructure needed for economic development and growth, including power, process plants and refining facilities.

On a personal note, I underwent surgery for the removal of a low-grade cancerous tumor in late February, as announced at that time. The operation took me out of commission for a few weeks. I’ve had several post-operative examinations, and I am pleased to report that the doctors have given me a clean bill of health. I feel great.

The company was selected by the Administration to represent U.S. business at the Asia Pacific Economic Cooperation (APEC) conference in Jakarta. APEC’s charter is to enhance free trade and investment liberalization in the region. The Indonesian representative and I chaired the effort, which involved both large and small companies from disparate industries. We saw 35 business representatives of the 18 member countries come together with a cooperative spirit to identify barriers to free trade across borders. This was a fascinating experience, and I returned home from this conference greatly impressed by the scope of opportunities and convinced that global change continues to accelerate.

Our appreciation goes out to all who have contributed to our success. This includes our directors and international advisors who have provided strong support and guidance, our thousands of talented employees working in more than 60 countries and our stockholders. We also wish to express our appreciation to our clients who have selected us as their contractor or coal supplier.

Economic growth forecasts in the Asia Pacific region remain in double digits, and we believe our activity there will increase substantially, notably in the petroleum and power markets. During the past year, we moved more executives to the region to increase our presence, and opened offices in Vietnam and India. Indonesia, Thailand, China, Malaysia, the Philippines and Korea have been active for us and hold great promise for the future.
By electronically linking our global network of engineering and technical centers, we can support more than 2,000 current projects in over 60 countries by bringing maximum resources to bear on any technical or construction challenge. From a stockholder’s standpoint, this diversification allows us to shift resources to where the opportunities are greatest, thereby dampening the effects of cyclical downturns in any one industry or geographic area.

A.T. Massey has positioned itself as the leader in low-sulfur coal in Central Appalachia because of the above average growth potential of that region. Reasons for this growth include the Clean Air Act, which requires utilities to meet new air emission standards. One way utilities can meet these standards is by burning cleaner, low-sulfur coal. Substantial additions have been made to Massey’s coal reserves in and around existing operations so that they can increase production as demand strengthens. The focus now is to continue to develop these sites, as well as look for additional expansion opportunities. The quality of Massey’s coal allows the flexibility to serve the metallurgical and electric utility markets as demand dictates.

Massey has an aggressive management team, which was further strengthened this year. It’s organized into operating companies in much the same way Fluor Daniel is organized. These companies are independently managed and responsible for their profitability. This approach has been very successful.

Another way we’re enhancing future earnings growth is through our newly created Diversified Services Group. The concept here is to leverage the market potential of our core competencies beyond the limits of the traditional project cycle. Examples include our expertise in global procurement, technical consulting, equipment management, leasing and maintenance, and providing temporary personnel.

We’re also continuing to look for niche acquisitions which will enhance—either regionally or in a specific industry—the extensive capabilities of Fluor Daniel. All three of these efforts should add incrementally to our company’s earnings stream.

**What are the changes being made to ensure continued success?**

This is where the reengineering that we announced in 1994 primarily applies. We have made a number of structural changes to flatten the organization, making it more effective and simpler for clients to access.

Three quarters of our reengineering relates to culture change within the company. We want a culture in which empowerment and entrepreneurship are encouraged and intelligent risk-taking is expected—with individual accountability a large part of the equation.

We have an opportunity to create an atmosphere in which everyone feels more involved, can share ideas more openly and accept more ownership of his or her accomplishments. And, do so in a way that’s part of a focused strategy.

**How does Fluor ensure that company and stockholder objectives are aligned?**

We recognize that stockholders are the owners of the company and that every employee has a responsibility to enhance stockholder wealth. We also know that consistently delivering superior financial performance drives stock price appreciation and dividend growth, which is why we set high financial standards for the company. And, of course, our board of directors actively performs its oversight responsibilities on behalf of stockholders.

In a more pragmatic sense, however, compensation and incentive programs are structured so that management and employees think like owners.

This past year, we made several changes to further strengthen the pay-for-performance orientation of our compensation and stock ownership programs. Specifically, all employees are now eligible for special recognition awards if they initiate meaningful work process improvements, cost reductions or other value enhancements. Management is rewarded for delivering superior financial results on an annual and three-year cumulative basis. Stock award programs are structured to have value only if the price of Fluor’s stock advances and, in some cases, only if certain stock price levels are achieved.

Finally, the board has established stock purchase and ownership guidelines for senior management. These guidelines start at a market value of seven times annual compensation for the chairman and scale down to one times annual compensation for other executives.
Operations

MISSION STATEMENT

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

But what constitutes value today? We asked ourselves what question as we sat down to examine our business, our clients' needs and the fast-changing global marketplace.

The answer was to set four goals: In today's current environment, we must provide our services faster, better, cheaper and safer. Safety is an absolute from a pure measure of management's ability to manage. A continuous drive to lower costs, while maintaining quality, is needed to be competitive in all markets. Providing quality services is a given. Our telecommunications network and electronic engineering capabilities provide flexibility to quickly shift our resources to attractive growth opportunities where we enjoy a competitive advantage. Providing quality services is a given. Global competition and clients demand nothing less.

FASTER

A continuous drive to lower costs, while maintaining quality, is needed to be competitive in all markets.

BETTER

Providing quality services is a given.

CHEAPER

A continuous drive to lower costs, while maintaining quality, is needed to be competitive in all markets.

SAFER

Safety is an absolute from a humanitarian standpoint, and it is a pure measure of management's ability to manage.

ENGINEERING AND CONSTRUCTION

In 1994, Fluor Daniel experienced its seventh consecutive year of strong earnings growth of 15 percent or better. Operating profit was a record $259 million, up 17 percent. Backlog at year-end was $14 billion, representing a broad diversity of markets, geographic locations and services. Backlog for international projects now accounts for 51 percent of the company's total, and the outlook is for continued strong growth.

Fluor Daniel's strategy for diversification is designed to expand our growth potential while dampening the cycles of individual markets or geographic regions. Our broad diversity provides a wide range of opportunities, allowing us to pursue only those projects that offer the best utilization of—and return on—our resources. Our telecommunications network and electronic engineering capabilities provide flexibility to quickly shift our resources to attractive growth opportunities where we enjoy a competitive advantage. New awards in 1994 were $81 billion, essentially level with last year.

Our outlook for new business is excellent, particularly in the developing economies of Asia Pacific and Latin America. An increasing number of our current prospects are large international projects whose contractual start dates can be uncertain, creating short-term fluctuations in the timing of new awards and backlog additions. The profit potential of these large, complex projects makes them an important component in our growth strategy. Equally important is Fluor Daniel's solid base of repeat customers—about 80 percent of current contracts—which generates a steady work load ranging from maintenance activity to small- and intermediate-size projects.

Key to Fluor Daniel's future success will be our ability to quickly respond to changing market conditions and client needs. Global competition is forcing clients to focus on the cost and speed of completing a project. Our ongoing reengineering program is enhancing our cost competitiveness and shortening our response time. Cultural and organizational changes, along with increased use of electronic capabilities and global engineering centers, are enabling us to provide services that are faster, better, cheaper and safer.

Fluor Daniel's operations have been realigned into industry, regional and specialized groups responsible for capitalizing on opportunities in their market segments. Regional groups include Asia Pacific, the Americas, and Europe, Africa & Middle East. Industry groups include Process, Industrial, and Power & Government. A newly formed group, Diversified Services, will work aggressively to expand client services by building on existing core competencies and marketing them outside the traditional project cycle. The Sales and Marketing Group, which also includes Strategic Planning and Project Finance, is focused on market expansion and helping secure capital for client projects. Client and industry focus are achieved through individual operating companies within each industry group dedicated to specific markets. Regional groups add geographic diversity to expand client services by building blocks for economic industrialization. These activities are rapidly followed by customer-related projects for both domestic consumption and export. Fluor Daniel's capabilities, local relationships and global client base position us to capitalize on developing opportunities. Prospective clients include government ministries, local companies, newly privatized industries and our large international base of existing clients.

ASIA PACIFIC

The Asia Pacific Group currently encompasses some of the world's most active growth markets. Many of the countries in the region have large population bases with an increasing expectation of improving living standards.

Fluor Daniel's strong reputation, diversity, financial strength and long history of experience in the region place us in an excellent competitive position. We currently maintain 14 offices in the region, some of which date back to the 1950s, and are continuing to expand our resources and capabilities to serve this dynamic growth market.

Historically, major opportunities in the region have been periodic capital projects to develop natural resources, often in energy-related fields. Now, trade liberalization around the world is creating a global marketplace. This is stimulating rapid development of the region's resources to supply a growing consumer market as well as developing export industries. Political and industrial leaders in key countries are also increasingly recognizing the need to be globally competitive. This mandates that projects be cost-effective and world-class in quality.

The emerging economies of Asia Pacific are following a traditional pattern of development, although at an accelerated pace. Initial investment tends to focus on natural resource development and labor-intensive industry. Basic energy and electric power are fundamental building blocks for economic industrialization. These activities are rapidly followed by customer-related projects for both domestic consumption and export. Fluor Daniel's capabilities, local relationships and global client base position us to capitalize on developing opportunities. Prospective clients include government ministries, local companies, newly privatized industries and our large international base of existing clients.

Fluor Daniel is working with many major automotive manufacturers worldwide to expand their operations, such as BMW on its first manufacturing plant in the U.S., located in Spartanburg County, South Carolina.

Kanajett Hathatham, liaison manager.

The Rayong Refinery Project in Thailand is on schedule and one of the most significant oil refinery projects in the Asia Pacific region. The grass roots refinery will help meet the region's rapidly growing demand for petroleum-based products.

Norwin Douglas Hall, contract engineer, left, and Shirin Shahrour, associate design engineer.

Fluor Daniel is working with many major automotive manufacturers worldwide to expand their operations, such as BMW on its first manufacturing plant in the U.S., located in Spartanburg County, South Carolina.
Increased demand for consumer products in China is creating new opportunities for Fluor Daniel, such as the Cadbury Schweppes chocolate manufacturing facility in Beijing for Cadbury Food Co., Ltd. Beijing.

We have taken steps to enhance our market focus and responsiveness, including the relocation of several experienced executives to the Asia Pacific region to speed the decision process and improve response time. Consistent with our strategic goal of lowering the cost of our services, we are developing an engineering center in India, and expanding existing ones in the Philippines and Beijing. Forming relationships with regional companies are being established to optimize the use of local capabilities and experience. In 1994, we also expanded our regional presence by opening offices in India and Vietnam.

A key element to our success will be the increased use of our financial strength. This ability to aid clients in arranging project financing differentiates us from our competitors, and is essential to success in a region that has numerous opportunities but limited financial resources. Indonesia, Thailand and the Philippines are expected to continue adding refining capacity to sustain their current growth rates. Strong growth in India's emerging economy is expected to require several major new refineries in the next decade. China will also need significant additional refining capacity to support its growing market economy.

Many countries in the region have experienced such dramatic growth that they have outgrown their limited infrastructure. Electric power generation in particular requires considerable investment. Lack of capital to build extensive new power plants has forced several countries to open their markets to private investment to meet their power needs. Independent power producers are exploring new base load generating plants, particularly in Indonesia, the Philippines and China.

The Americas

The American Group is responsible for markets in Latin America, the Caribbean and Canada. Fluor Daniel's industry groups have responsibility for project activity in the U.S. The U.S. represents Fluor Daniel's most diverse geographic market, with activity in virtually every industry we serve. Experience developed in U.S. industry is often extended throughout our global organization to capitalize on growth opportunities worldwide. Fluor Daniel's strong U.S. client base generates important growth opportunities as companies expand into international markets. Strong relationships and strategic alliances with clients, some of which extend back for decades, provide continuity and an important base of repeat business. Specific market activity and business outlook in the U.S. are discussed in the industry group sections of this report.

The North American Free Trade Agreement (NAFTA) between the U.S., Mexico and Canada is beginning to stimulate economic growth in all three countries, and is leading to increased capital investment. Discussions are in progress to expand NAFTA to include other countries as well. The creation of this new geographic trading bloc is collectively creating greater growth opportunities within the region, as well as stimulating development of more export-oriented industries. Leaders in the developing economies of Latin America increasingly recognize that political stability is key to attracting foreign investment to augment economic development. Capital investment in the Latin America region is strong in mining, petroleum and petrochemicals. Fluor Daniel's strategy is to leverage our leading position in these industries into new geographic markets through co-ownership, joint ventures and other arrangements with local companies. These arrangements currently include ICA Fluor Daniel in Mexico, Tecnoconsult in Venezuela and SADE in Argentina. These arrangements provide entry to local markets and establish resources, allowing us to better serve our global client base.

Strong demand and pricing for copper and gold continue to stimulate investment in Chilean mining projects, creating significant opportunities for Fluor Daniel. Our global resources, excellent reputation and ability to execute large-scale projects in remote locations place us in a prime competitive position to capitalize on opportunities. We are looking at strategies to further enhance our experience, resources, local management expertise and client relationships in Chile. Although mining will remain the primary opportunity in Chile for the near future, the region's growing economy should create longer-term prospects in telecommunications, oil and gas, pulp and paper and environmental services markets as well.

Fluor Daniel is exceptionally well positioned in Mexico through its co-ownership of ICA Fluor Daniel with Grupo ICA in Mexico. This experience and reputation of both companies greatly enhance our mutual position in Mexico and in the greater Latin America region.
From left: Hector Leal, piping engineer, Barry McNaughton, chief field engineer, and Maria Isabel Velezco, civil field engineer.

Fluor Daniel's performance on large-scale projects worldwide, such as Minera Escondida Limatique's copper mine expansion in Chile, has enhanced our reputation for executing world-class mining projects.

Luz Maria, instrumentation engineer.

Fluor Daniel continues to be committed to Venezuela for the long term through its equity investment in TECNOCONSULT.

While Mexico currently faces short-term economic dislocations as a result of the recent devaluation of its currency, we remain confident in the long-term outlook for capital investment in that market. Opportunities are developing across a diverse range of industries, including oil and gas, power, telecommunications, mining, pharmaceuticals, automotive and consumer products.

In Venezuela, opportunities are principally in the oil, gas and petrochemical industries, driven by regional and global demand for petroleum-based products. Because Venezuela has such an extensive natural resource base, it continually invests in these industries despite periodic political and financial uncertainty. As a result, we expect to see growth in that area over the next several years. Fluor Daniel has extensive experience in Venezuela, and our reputation and long-term presence put us in a key position to capitalize on opportunities in a wide range of industries beyond current oil and gas prospects.

As Venezuela endeavors to diversify its economic base, we expect to see additional opportunities in power, consumer products, mining and telecommunications. Electric power generation in particular may be a significant market as the local economy grows and energy needs intensify.

We also see opportunities in Argentina. That country represents an attractive and viable project market given its large resource base and improving economic environment. Opportunities in Argentina, similar to Mexico in their diversity, have encouraged us to create a local presence there. We've recently formed a relationship with Sade, a subsidiary of the Perez Companc Group, to better position ourselves to serve clients in Argentina. The relationship further strengthens Fluor Daniel's position throughout the Latin America region. Developing opportunities in Peru and Brazil also are being explored.

Another important region in the Americas Group is the Caribbean. Our San Juan, Puerto Rico, office is well established in the pharmaceutical and refining industries, and is strategically important for the support it provides to other offices throughout the Americas region. Emerging opportunities in the Caribbean area include the potential opening of the Cuban market.

The third area in the Americas Group is Canada. That country is coming out of a protracted economic downturn. Fluor Daniel is active in the mining, petroleum and petrochemicals industries, and seeks to broaden the diversity of its activities to penetrate new market opportunities in telecommunications, power generation and consumer products.

Opportunities are also arising from China's push to become a larger, stronger player in the global market. Managing government policies are prompting many Canadian companies to invest targeted industries in Asia Pacific and Latin America. Our excellent reputation in Canada and our global capabilities position us to aid Canadian companies with their overseas expansion plans.

Europe, Africa & Middle East

The Europe, Africa & Middle East Group works closely with Fluor Daniel's industry groups to identify and act upon opportunities in both the mature markets of Western Europe and the emerging markets of the Middle East, Africa, Eastern Europe and the former Soviet Union.

Market opportunities in Western Europe are improving with continuing economic recovery. Current activity is principally focused on providing services to the oil industry for environmentally driven refinery upgrades and modifications to increase yields from bottom-of-the-barrel crude residue. For example, we are completing an $800 million refinery upgrading project in Belgium, and a $1.5 billion project to upgrade and modify a refinery in the Netherlands. The chemical industry is also showing positive trends.

Continual elimination of border restrictions as part of the European Economic Community agreement may provide opportunities in some of Fluor Daniel's industrial markets. Industries which had previously built small facilities designed to meet individual country needs are now finding it economically efficient to build large, centrally located factories to serve broad regions. This approach is being used by some chemical companies, and is being considered by several consumer product companies. Many European clients, particularly in Germany, are increasingly recognizing the necessity of global expansion to ensure growth. For example, we are building assembly facilities in the U.S. for two German auto manufacturers, and they are now looking at possible sites in Asia Pacific as well.

In Eastern Europe, opportunities are primarily in Poland, Hungary and the Czech Republic, all of which have tremendous need to rebuild their industrial bases. We have strengthened our position to serve these areas with a 51 percent equity interest in Prochem, one of Poland's largest engineering and construction companies. Through this local presence, we are pursuing refinery and chemical projects, and doing work in the consumer products area.

Prochem also serves as a global engineering center. Fluor Daniel's strategy for Europe increasingly revolves around the use of such centers to enhance our marketability in today's highly competitive environment. Increased use of selective lump-sum bidding, teaming arrangements and project financing will further differentiate us from our competitors.

Opportunities in the other Eastern European countries and the former Soviet Union remain few and select. Although these countries represent potentially significant future markets, political uncertainty and financial constraints make current investment by our clients difficult. Possible near-term opportunities include oil and gas production and consumer product projects. Large-scale capital investment remains a potential over the long term.

In the Middle East, projects in the oil, gas and petrochemical industries continue to top the list of prospects. A current trend in the Middle East is increased investment in petrochemical facilities to produce higher value petroleum products. These value-added products are more profitable than simple crude oil, and help to diversify export capabilities in the region. In 1994, Fluor Daniel received a contract valued at more than $1 billion for a new petrochemical complex in Kuwait.
FLUOR DANIEL'S LONG-TERM RELATIONSHIP WITH DUPONT HAS LED TO OPPORTUNITIES AROUND THE WORLD TO PROVIDE FULL SCOPE SERVICES, INCLUDING A CHEMICAL PLANT PROJECT IN ARUBA, N.A. ARUBA IS CURRENTLY LOOKING AT SIMILAR PETROCHEMICAL PROJECTS. QATAR AND OTHER GULF COUNTRIES OFFER SIGNIFICANT OPPORTUNITIES IN THIS AREA AS WELL.

As countries in the Middle East seek to broaden their economic bases, we anticipate growing opportunities for Fluor Daniel across a diversity of markets. Consumer products projects in particular are increasing. Rising demand for electric power to fuel industrialization also offers considerable opportunities. The possibility of private investment in Saudi Arabia also raises the potential for further work in that country.

In the Republic of South Africa, positive political and social changes are opening up that market to global investment. Our good reputation and long-term presence in the region will enable us to capitalize on opportunities both in South Africa and in other potential markets in southern Africa as they emerge over time. Although we are providing services for the expansion of oil fields in Gabon, current opportunities in central and north Africa are selective and few due to political instability and lack of financial resources.

**Process**

The Process Group encompasses markets that have been traditional areas of strength for Fluor Daniel and have been experiencing rapid growth over the past few years. Operating companies in this group include Petroleum & Petrochemicals, Production & Pipelines, and Chemicals, Plastics & Fibers. These operating companies work closely with the regional groups to capitalize on market trends and opportunities around the world.

The Petroleum & Petrochemicals operating company, which serves the "downstream" market involving the refining and processing of oil and gas feedstock, is working on four of the most significant refinery projects in Asia Pacific: the modernization of a refinery and petrochemical complex in Korea; a major grass roots refinery in Thailand; an extensive refinery expansion in the Philippines; and front-end work for a proposed major refinery expansion in Indonesia. These projects illustrate the growing demand in the Asia Pacific region for petroleum-based products to fuel continued economic growth. Additional opportunities are being pursued in China and India, with further work anticipated in Indonesia, the Philippines and Thailand.

Although Asia Pacific is currently an important focus for the Petroleum & Petrochemicals unit, Fluor Daniel is executing and pursuing several other significant projects worldwide. This geographic diversity is an important part of Fluor Daniel's strategy to reduce dependence on any single industry or region for continued growth. These projects include a sour gas processing plant and a sulfur dioxide abatement facility in Canada, and a grass roots methanol plant in Norway. We have also been awarded preliminary engineering on a proposed refinery in the Free Zone of Egypt for an historic Egyptian/Israeli joint venture.

Projects in the U.S. continue to reflect investment for environmental concerns rather than new capacity. We have established ourselves as a market leader in the clean fuels area, and are working on several projects in California. An increased number of environmentally driven projects are also expected in Canada and Europe.

The Production & Pipelines operating company serves the "upstream" market, including the basic production, treatment and transportation of oil and gas. Opportunities for this group are primarily in the Middle East and South America where development of natural resources to support economic growth is expected to stimulate investment in production facilities and pipelines.

Production opportunities in the Middle East are driven by that region's desire to maintain and increase its share of the worldwide market. We are particularly well positioned to capitalize on this trend given our extensive experience in Saudi Arabia where we are completing a major expansion of production facilities for Saudi Aramco. Additionally, the Production unit was awarded a major contract for an offshore gas processing plant as part of the development of the Britannia gas field in the U.K. North Sea.

Our Fluor Daniel Williams Brothers unit, which is dedicated to the pipeline industry, is well regarded worldwide and will be key to our success in this market. There are ongoing opportunities in the U.S. for the refurbishment and modernization of existing pipelines. In the former Soviet Union there are select opportunities for pipelines to move oil and gas to Europe. Although financial and political difficulties temper current investment in this area, Europe's energy needs and the former Soviet Union's relatively untapped natural resources suggest significant long-term potential. Fluor Daniel is closely monitoring the opportunities in the region, and will pursue projects on a selective basis where financial backing is secured and currency exposure is contained.

The Chemicals, Plastics & Fibers operating company serves a diverse base of clients and regions. For the past several years, chemical markets in the U.S. and Europe have experienced a steep decline in new capital projects due to downsizing and cost reductions. Weak prices, industry overcapacity and depressed world economies discouraged new capital investment. Recent signs, however, indicate that the chemical industry is now entering another period of expansion. Increased capacity rates and rising prices reflect improved demand, which traditionally leads to new capital investment. Fluor Daniel has
Fluor is well positioned to benefit from the growing demand for engineering and construction services in many countries and sectors. For example, Fluor’s expertise in mining and metals, food and beverage, manufacturing, pharmaceuticals and biotechnology, and institutional facilities is helping companies around the world expand their operations and meet increasing demand.

**TELECOMMUNICATIONS**

The telecommunications industry is a rapidly growing market around the world, and Fluor Daniel is well positioned to serve clients in this area. The company has completed several projects in support of rapidly growing telecommunications systems, primarily in Asia Pacific and Latin America. These projects include work in countries like China, India, and Latin America.

**INDUSTRIAL**

The Industrial Group represents one of Fluor Daniel’s most diverse areas of service, covering some of the fastest-growing industries in the world. Operating companies include:

- Mining & Metals
- Food & Beverage
- Telecommunications
- Commercial & Institutional Facilities
- Automotive & General Manufacturing
- Pharmaceuticals & Biotechnology
- Electronics, Infrastructure
- Jaakko Pöyry/Fluor Daniel

These operating companies are dedicated to serving the needs of their clients and are working on projects around the world to help them expand their operations.

**THE JUVENTUS PROJECT**

The Juventus project in Italy is an example of Fluor Daniel’s expertise in the sports industry. The company is providing technical services to help a prominent Italian football club expand and modernize its facilities.

**CORRECTIONAL FACILITIES**

Fluor Daniel is an established leader in providing technical services to correctional facilities in the U.S. and abroad. The company has completed several projects for clients like the U.S. Department of Justice, providing a range of services from design to construction.

**CONCLUSION**

Fluor Daniel is well positioned to meet the demands of clients in a variety of industries, thanks to its extensive experience and global presence. The company is dedicated to serving clients around the world and remains committed to delivering high-quality services that meet the unique needs of each client.
MANAGING THE ENVIRONMENTAL CLEANUP OF DON OFTE, FERMCO PRESIDENT, CENTER, AND FUTURE USE OF FERNALD. FERMCO, GAME DEVELOPED BY CTF, HAS BEEN VERY ISSUES AND TRADE-OFFS ON THE CLEANUP LISA CRAWFORD, PRESIDENT OF FRESH, A FLUOR DANIEL OPERATING COMPANY, IS FERNALD CITIZENS TASK FORCE (CTF). "FUTURE SITE," AN INTERACTIVE BOARD PRODUCTION FACILITY IN OHIO, FOR THE FERNALD, AN INACTIVE URANIUM U.S. DEPARTMENT OF ENERGY.

SOUTH CAROLINA.

DUKE/FLUOR DANIEL IS PURSUING OPPORTUNITIES WORLDWIDE FOR NEW POWER GENERATING PROJECTS, SUCH AS GENE WHEAT, PIPE FITTER.

by the end of the decade to meet the ever-increasing demand for semiconductor chips. Although Europe.

the need for power, but lack sufficient financial resources. As a result, they are encouraging private ownership of power generation facilities.

We have initiated front-end engineering on a large coal-fired project in Indonesia, which we expect will be the first in a series of corporat­ions-backed projects in the Asia Pacific area. As many as a half-dozen privatized power plants throughout the region are in various stages of financing. Our extensive power experience and long-time presence in Asia Pacific, Latin America and the Middle East put us in a strong position to capitalize on this emerging power market. We are assisting clients with front-end work, studies and permitting to aid in start-up of several projects. We are also stepping up our efforts to assist clients with project financing. Finally, we have moved experienced power execu­tives into key regional areas—Saudi Arabia, China, Hong Kong, Australia and Latin America—to better focus on emerging oppor­tunities. ICA Floor Daniel is involved in several small power projects in Mexico which will further enhance our reputation and presence in that market.

The Power Services operating company provides systems maintenance for U.S. and non-U.S. utility clients. Deregulation of the U.S. power industry has altered the way utilities buy and sell power. The result has been better utilization of existing capacity, and less need for capital investment in new plants. However, deregulation has also led to more intense price competition between the utilities. Floor Daniel’s Power Services operating company helps utilities stay competitive by providing services to make their systems more efficient and cost-effective.

Floor Daniel is a leader in utility generating systems maintenance, serving more clients than any competitor. For example, we provide services to TU Electric, TVA, and Emerge in the U.S., and Generation Victoria in Australia. Plant systems maintenance is also our primary focus for the U.S. nuclear power industry. In the past year we were awarded a maintenance contract for Palo Verde—the nation’s largest nuclear power plant—in Arizona. We see systems maintenance as a growing business, in which we have a leading position.

Government Services’ primary client is the U.S. Department of Energy (DOE). The DOE is in transition to a focus on environmental cleanup. As Cold War tensions have subsided, resources are being shifted away from produc­tion, to a greater emphasis on waste manage­ment projects and remediation of sites. Although the DOE has a significant budget to address environmental issues, the enormity of cleanup needed at DOE sites stretches those resources thin. To clean up all its facilities, the DOE needs contractors which are cost-focused, and can develop creative solutions to the intricate problems associated with environ­mental cleanup. Our experience with large, complex projects as well as our environmental and nuclear-fuel cycle credentials give us good qualifications to meet these needs. Current efforts to reduce: costs and speed up turn-around time should further increase our compet­itiveness. More importantly, our cleanup work at the DOE’s Fernald, Ohio, facility—the first contract of its kind—gives us invaluable experience and insight into the problems and solutions facing large-scale cleanup projects.

We are now two years into the Fernald con­tract and have achieved numerous project milestones. An operating company—Fernald Environmental Restoration Management.
CAPABILITIES TO MAKE FLUOR DANIEL A GLOBAL OPERATIONS AND MAINTENANCE TECHNOLOGY.

CLIENTS OUTSIDE THE TRADITIONAL PROJECT LEADER IN THE OPTIMIZATION OF PLANT AND NETWORK AND MARKETING ITS SERVICES TO FOCUSING ON EXPANDING ITS DISTRIBUTION COMPANY IS LEVERAGING ITS TECHNICAL, TO FLUOR DANIEL PROJECTS. IT IS NOW JIM HUMPHRIES, P.E., DIRECTOR OF FACILITY CAPACITY.

Corporation—is dedicated exclusively to the contract, and has facilitated a focused management commitment to the project as well as flexibility and timely decision-making.

Our success on the Fernald project positions us well to pursue more projects of this kind as the DOE moves ahead in its overall cleanup program. Our experience also positions us for cleanup work expected in Canada and Europe as those regions move to address their environmental issues.

DIVERSIFIED SERVICES
Continued diversification of services to ensure consistent profit growth is one of the key objectives of Fluor Daniel's reengineering efforts. The new Diversified Services Group was created to leverage the market potential of our core competencies beyond the limits of the traditional engineering and construction project cycle. For example, capabilities we provide to clients as part of a project—such as equipment leasing, procurement, temporary personnel or siting services—will now be marketed separately. While many of the services offered through Diversified Services will not add to backlog in a traditional sense, they should make a meaningful contribution to our growth and profitability goals.

The Diversified Services Group has three objectives: grow existing businesses, support and strengthen Fluor Daniel's operating companies, and expand core competencies into new businesses.

The first objective—to grow existing businesses—responds to a global trend toward outsourcing by clients as a means of controlling costs. Existing businesses include Facility & Plant Services, American Equipment Company, which sells and leases construction tools and equipment, TRS International Group, which provides temporary personnel and Environmental Services. These companies have marketed their services to external clients in the past, but only on a limited basis. While continuing to support internal operating companies on projects, they will also focus on aggressively growing their external market potential through expansion of client bases, new services and new market penetration.

The Facility & Plant Services operating company provides facility management and maintenance services to a variety of customers, assisting them in reducing costs and allowing them to concentrate on their core businesses. Fluor Daniel has developed a growing reputation in this area, and is at work on over 100 projects of this type.

American Equipment provides equipment for construction projects, with its primary customer currently being Fluor Daniel. It will now also focus on growing externally through expansion of its distribution network and aggressively marketing its equipment services to new clients.

TRS will capitalize on the need for companies to stabilize their work forces through use of temporary personnel for short-term labor requirements. TRS is well-established and global, but has also been primarily focused on internal business opportunities. A specific external focus and expansion of its overseas offices will position TRS to take advantage of the increasing global trend toward temporary personnel services.

There are potential opportunities for the Environmental Services operating company in both the cleanup and waste-minimization process redesign areas for the U.S. Department of Defense and private sector clients. This company will look globally for growth as more and more countries in Europe and Canada assess their environmental needs.

The Diversified Services Group's second objective—to support and strengthen operating companies within Fluor Daniel—focuses on improving performance and information flow across all projects and groups. Operating companies and functional areas dedicated to this objective include Construction, Project Execution Services, Project of the Future and Continuous Performance Improvement (CPI).

The Construction unit will concentrate on selling construction-only projects, developing best practices, and training, recruiting and retaining high-quality construction personnel. Project Execution Services will focus on integrating engineering, procurement and construction services in the most cost-effective manner. Project of the Future, a team studying ways to achieve quantum performance improvements, will continue to explore ways to lower costs, increase turnaround times and improve work processes. CPI will promote companywide cultural change and support ongoing quality initiatives. These areas were brought under the Diversified Services Group to provide global access to their services and to eliminate duplication of efforts across the operating companies.

The third objective of the Diversified Services Group is the expansion of our core competencies into new businesses outside the traditional project cycle. We have organized our core competencies in procurement, consulting and technology into separate operating companies responsible for selling their services directly to external clients.

The operating company dedicated to procurement will draw upon Fluor Daniel's world-class procurement competency and global reach with the objective of becoming the leading provider of acquisition services. The company, operating under the name of Acquisition, will utilize its significant purchasing, global sourcing, key supplier process and commercial management expertise to assist clients with their procurement needs.

The Consulting operating company focuses on several areas to provide solutions to unique client needs that do not typically fall under the traditional engineering and construction umbrella. For example, clients who need siting services now have a unit dedicated solely to that purpose. Safety consulting will draw on our exceptional safety record to provide a blueprint for clients who may need help in that area. Quality Control and Project Management are other areas where we have a world-class reputation and can market our services in a new way.

JIM HUMPHRIES, P.E., DIRECTOR OF OPERATIONS AND MAINTENANCE TECHNOLOGY.

The FACILITY & PLANT SERVICES OPERATING COMPANY IS LEVERAGING ITS TECHNICAL, TRAINING, SYSTEMS AND MANAGEMENT CAPABILITIES TO MAKE FLUOR DANIEL A GLOBAL LEADER IN THE OPTIMIZATION OF PLANT AND FACILITY CAPACITY.

The operating company dedicated to procurement will draw upon Fluor Daniel's world-class procurement competency and global reach with the objective of becoming the leading provider of acquisition services. The company, operating under the name of Acquisition, will utilize its significant purchasing, global sourcing, key supplier process and commercial management expertise to assist clients with their procurement needs.

The Consulting operating company focuses on several areas to provide solutions to unique client needs that do not typically fall under the traditional engineering and construction umbrella. For example, clients who need siting services now have a unit dedicated solely to that purpose. Safety consulting will draw on our exceptional safety record to provide a blueprint for clients who may need help in that area. Quality Control and Project Management are other areas where we have a world-class reputation and can market our services in a new way.
AND WALLY BEVINS, SURFACE UTILITY MAN.
JAKE POFF, PLANT SUPERINTENDENT, LEFT,
A WIDE RANGE OF PRODUCTS, INCLUDING
MASSEY'S RIGIDE MINING
COMPANY IN KENTUCKY PRODUCES
SULFUR STEAM COAL. coal carries a significantly higher profit margin than purchased coal. Total sales volume of coal in
1994 was 25 million tons, up 7 percent com-
pared with 25 million tons in 1993. Although
prices for both metallurgical and steam coal
showed moderate improvement in 1994 com-
pared with last year, they were offset by
slightly higher costs associated with the start-
up of production facilities and the develop-
ment of new reserves.
A key part of Massey's strategy has been to
develop production flexibility which allows it
to market its coal to the highest margin sales
opportunity. Due to strong demand and
attractive pricing in 1994 for metallurgical
coal, Massey is capitalizing on that market
opportunity. Massey's sales volume of metal-
lurgical coal increased 38 percent in 1994
compared with a year ago. With continued
economic growth in the U.S., the demand for
metallurgical coal by the steel industry is
expected to remain steady for the near future.
The market for steam coal showed only
moderate strength during the past year. Sales
volume for steam coal was up 4 percent in
1994 compared with 1993. However, with
stringent new clean air standards in effect as
of January 1, 1995, demand for low-sulfur
steam coal is expected to increase. Recent
indicators also show continued strong U.S.
economic growth, which is usually accompa-
nied by a rise in electricity demand and coal
usage.
A key strategic objective for Massey is to
maintain its leadership position in the Central
Appalachia region. Concentrating operations
in a single region provides a variety of advan-
tages including flexibility and depth of
resources to meet client needs, as well as the
coal and profit advantages derived from
economies of scale in both production and
distribution. In judging our competitive posi-
tion in the region, we consider productivity,
return on capital, annual coal production,
market share, revenues, reserves and safety.
Massey ranks number one in nearly all of
these areas. In reserves, Massey ranks third.
In safety, Massey is continually improving its
record. In 1994, Massey had an incident rate
of 0.02 per 200,000 worker-hours—a rate sig-
nificantly safer than the industry average.
Continued focus on this area through the
'Safety First' program will be a priority of
Massey's management along with an ongoing
focus on productivity, cost and quality.
Production from the Central Appalachia
region is expected to grow capably for the
balance of the decade as customers switch to
low-sulfur coal to meet clean air require-
ments. To capitalize on that anticipated
growth, Massey has substantially increased its
high-quality, low-sulfur coal reserves, nearly
doubling total reserves over the past three
years. In 1994, Massey increased its reserves
30 percent to 3.4 billion tons. The new prop-
eties are adjacent to existing Massey facilities
and can be brought into production in a
highly cost-effective manner.
The management team has been strength-
ened and operating facilities have been
upgraded and expanded to increase produc-
tion capacity.
### Operating Statistics

**Engineering and Construction**
- Work performed
  - $7,673,021
  - $7,109,635
  - $5,888,098
  - $5,770,800
  - $6,653,832
  - $5,240,827
  - $4,167,892
- Revenues
  - $7,717,542
  - $7,131,728
  - $5,935,973
  - $5,841,477
  - $6,385,019
  - $5,115,633
  - $4,833,523
- Operating profit
  - $199,078
  - $210,597
  - $190,618
  - $166,335
  - $133,174
  - $117,439
  - $50,819
- New awards
  - 8,071,500
  - 8,000,000
  - 10,867,700
  - 8,531,600
  - 7,631,300
  - 7,135,300
  - 5,955,100
- Backlog
  - 14,021,900
  - 14,753,500
  - 14,706,000
  - 11,181,300
  - 9,557,800
  - 8,360,900
  - 6,658,600
- Salaried employees
  - 16,433
  - 17,115
  - 17,443
  - 17,601
  - 19,819
  - 17,519
  - 15,576

**Backlog by Group and Location**
- Total backlog
  - $14,021,900
  - $14,753,500
  - $14,706,000
  - $11,181,300
  - $9,557,800
  - $8,360,900
  - $6,658,600
- Process
  - $5,654,55
  - $5,449.83
  - $5,277.23
  - $4,987.37
  - $3,595.18
  - $2,136.49
  - $1,169.47

**Backlog by Region**
- United States
  - $6,881
  - $5,163
  - $10,649
  - $7,935
  - $6,220
  - $4,604
  - $3,589
- Europe/Africa/Middle East
  - $3,235
  - $3,132
  - $3,827
  - $3,737
  - $3,174
- Asia Pacific
  - $1,665
  - $1,677
  - $1,611
  - $1,657
- Americas
  - $1,172
  - $876
  - $1,060
  - $2,056

**Coal**
- Year ended October 31
  - 1994
  - 1993
  - 1992
  - 1991
  - 1990
  - 1989
  - 1988
- Revenues
  - $757,725
  - $716,591
  - $696,711
  - $758,481
  - $865,809
  - $815,558
  - $783,719
- Operating profit
  - $92,198
  - $70,690
  - $80,281
  - $60,709
  - $60,241
  - $51,007
  - $50,375
- Produced coal sold
  - $16,995
  - $16,036
  - $13,711
  - $13,316
  - $11,942
  - $11,058
  - $11,027
- Total produced coal sold
  - $23,853
  - $21,192
  - $17,573
  - $16,982
  - $16,582
  - $15,025
  - $9,402
- Total employees
  - 1,754
  - 1,431
  - 1,252
  - 1,133
  - 1,016
  - 932
  - 847
Selected Financial Data

### Consolidated Operating Results

<table>
<thead>
<tr>
<th>Year Ended October 31</th>
<th>1994</th>
<th>1993</th>
<th>1992</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>$8,451.3</td>
<td>$7,850.3</td>
<td>$6,600.7</td>
</tr>
<tr>
<td>Earnings from continuing operations before taxes</td>
<td>701.3</td>
<td>442.1</td>
<td>315.4</td>
</tr>
<tr>
<td>Earnings from continuing operations, net</td>
<td>394.3</td>
<td>156.8</td>
<td>135.3</td>
</tr>
<tr>
<td>Earnings (loss) from discontinued operations, net</td>
<td>-</td>
<td>-</td>
<td>(96.6)</td>
</tr>
<tr>
<td>Cumulative effect of change in accounting principle, net</td>
<td>-</td>
<td>(12.9)</td>
<td>-</td>
</tr>
<tr>
<td>Net earnings</td>
<td>194.4</td>
<td>168.8</td>
<td>119.4</td>
</tr>
<tr>
<td>Earnings per share</td>
<td>2.437</td>
<td>2.037</td>
<td>1.637</td>
</tr>
<tr>
<td>Discontinued operations</td>
<td>-</td>
<td>-</td>
<td>1.977</td>
</tr>
<tr>
<td>Cumulative effect of change in accounting principle</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Net earnings per share</td>
<td>2.437</td>
<td>2.037</td>
<td>1.637</td>
</tr>
<tr>
<td>Return on average shareholders' equity</td>
<td>17.7%</td>
<td>17.4%</td>
<td>6.6%</td>
</tr>
<tr>
<td>Cash dividends per common share</td>
<td>0.52</td>
<td>0.48</td>
<td>0.40</td>
</tr>
</tbody>
</table>

### Consolidated Financial Position

<table>
<thead>
<tr>
<th>Year Ended October 31</th>
<th>1994</th>
<th>1993</th>
<th>1992</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current assets</td>
<td>$1,138.4</td>
<td>$1,109.1</td>
<td>$1,056.7</td>
</tr>
<tr>
<td>Current liabilities</td>
<td>1,010.3</td>
<td>930.9</td>
<td>845.4</td>
</tr>
<tr>
<td>Working capital</td>
<td>157.1</td>
<td>159.0</td>
<td>164.0</td>
</tr>
<tr>
<td>Property, plant and equipment, net</td>
<td>3,174.4</td>
<td>1,100.9</td>
<td>1,046.9</td>
</tr>
<tr>
<td>Total assets</td>
<td>3,231.9</td>
<td>2,186.9</td>
<td>2,075.7</td>
</tr>
<tr>
<td>Capitalization</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Long-term debt</td>
<td>444</td>
<td>61</td>
<td>61</td>
</tr>
<tr>
<td>Shareholders' equity</td>
<td>1,320.5</td>
<td>1,044.1</td>
<td>880.8</td>
</tr>
<tr>
<td>Total capitalization</td>
<td>1,364.9</td>
<td>1,107.0</td>
<td>942.1</td>
</tr>
<tr>
<td>Percent of total capitalization</td>
<td>20%</td>
<td>14.3%</td>
<td>6.6%</td>
</tr>
<tr>
<td>Long-term debt</td>
<td>20%</td>
<td>14.3%</td>
<td>6.6%</td>
</tr>
<tr>
<td>Shareholders' equity</td>
<td>80.0%</td>
<td>94.0%</td>
<td>93.6%</td>
</tr>
<tr>
<td>Common shares outstanding at October 31</td>
<td>82.1%</td>
<td>82.1%</td>
<td>81.4%</td>
</tr>
</tbody>
</table>

### Other Data

<table>
<thead>
<tr>
<th>Year</th>
<th>1994</th>
<th>1993</th>
<th>1992</th>
</tr>
</thead>
<tbody>
<tr>
<td>New awards</td>
<td>8,071.5</td>
<td>8,000.9</td>
<td>7,106.7</td>
</tr>
<tr>
<td>Backlog at year end</td>
<td>14,021.9</td>
<td>14,571.5</td>
<td>14,706.0</td>
</tr>
<tr>
<td>Capital expenditures</td>
<td>1,397.9</td>
<td>1,181.3</td>
<td>1,181.3</td>
</tr>
<tr>
<td>Cash provided by operating activities</td>
<td>415.4</td>
<td>180.9</td>
<td>106.8</td>
</tr>
</tbody>
</table>

### Management's Discussion and Analysis

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

#### Results of Operations

Earnings from continuing operations were $192 million in 1994, compared with $167 million in 1993 and $135 million in 1992. The related earnings per share were $2.32 in 1994, compared with $2.03 in 1993 and $1.65 in 1992. Earnings from continuing operations in 1994 included a nonrecurring after-tax charge of $6.5 million related to the settlement of a dispute with the pension and benefits funds of the United Mine Workers of America/Bituminous Coal Operators of America. This charge was more than offset by the 1993 reversal of $2.5 million of income tax liabilities no longer required due to the favorable conclusion of a federal income tax audit in the second quarter of 1993 for the years 1984 through 1986. This reduction in liabilities did not affect the company's cash flow.

#### Engineering and Construction

Total new awards were $8.1 billion in 1994, compared with $8.0 billion in 1993 and $10.9 billion in 1992. Consistent with the company's long-term goal of broad geographic diversification, 65 percent of 1994 new awards came from projects located outside the United States, compared with 54 percent in 1993 and 32 percent in 1992. The following table sets forth new awards for each of the company's business groups:

<table>
<thead>
<tr>
<th>Year</th>
<th>Total New Awards</th>
<th>As % of Total New Awards</th>
<th>Year</th>
<th>Total New Awards</th>
<th>As % of Total New Awards</th>
</tr>
</thead>
<tbody>
<tr>
<td>1994</td>
<td>$8,071.5</td>
<td>100%</td>
<td>1993</td>
<td>$8,001.0</td>
<td>100%</td>
</tr>
<tr>
<td>U.S.</td>
<td>$3,165.9</td>
<td>40.5%</td>
<td>Outside U.S.</td>
<td>$4,907.6</td>
<td>61.5%</td>
</tr>
</tbody>
</table>

The company's future award prospects include several large-scale international projects. The large size and uncertain timing of these projects can create variability in the company's award pattern, consequently, future award trends are difficult to predict with certainty.

Backlog at October 31, 1994, 1993, and 1992 was $14.0 billion, $14.8 billion, and $14.7 billion, respectively.

Recent growth in the Process group's backlog reflects the award of three major projects. The Industrial group has maintained a 2.5 percent share of backlog, most recently due to significant activity in mining and metals, along with recent growth in the demand for consumer products, particularly in developing countries. The decline in the last two years in the Power/Government group reflects a major slowdown in the award and funding of new U.S. government programs and the continued low demand for power generation projects in the U.S.

Recent growth in the Process group's backlog reflects the award of three major projects. The Industrial group has maintained a 2.5 percent share of backlog, most recently due to significant activity in mining and metals, along with recent growth in the demand for consumer products, particularly in developing countries. The decline in the last two years in the Power/Government group reflects a major slowdown in the award and funding of new U.S. government programs and the continued low demand for power generation projects in the U.S.

Backlog has been adjusted to reflect project cancellations, deferrals, and revised project scope and cost, both upwards and downwards. The net reductions in backlog from project adjustments and cancellations for the year ended October 31, 1994, was $353 million, compared with $844 million and $448 million for the years ended October 31, 1993, and 1992, respectively.

Recent growth in the Process group's backlog reflects the award of three major projects. The Industrial group has maintained a 2.5 percent share of backlog, most recently due to significant activity in mining and metals, along with recent growth in the demand for consumer products, particularly in developing countries. The decline in the last two years in the Power/Government group reflects a major slowdown in the award and funding of new U.S. government programs and the continued low demand for power generation projects in the U.S.

Backlog has been adjusted to reflect project cancellations, deferrals, and revised project scope and cost, both upwards and downwards. The net reductions in backlog from project adjustments and cancellations for the year ended October 31, 1994, was $353 million, compared with $844 million and $448 million for the years ended October 31, 1993, and 1992, respectively.

Engineering and Construction operating profits increased 17 percent to $23 million in 1994, compared with $22 million in 1993 and $19 million in 1992 due primarily to increases in margins and volume of work performed. Margins are affected by competitive market conditions and the mix of engineering and construction projects. The company continues to focus on improving operating margins by lowering the cost of delivering services. Recent increases in margins reflect returns attributable to larger complex international projects and fixed-price contracts.
Coal

Revenues and operating profit from Coal operations in 1994 were $768 million and $35 million, respectively, compared with $717 million and $71 million in 1993. Revenues and operating profit in 1992 were $657 million and $80 million.

The following table sets forth produced and purchased coal revenues:

<table>
<thead>
<tr>
<th></th>
<th>1994</th>
<th>1993</th>
<th>1992</th>
</tr>
</thead>
<tbody>
<tr>
<td>Produced coal</td>
<td>$275</td>
<td>$168</td>
<td>$549</td>
</tr>
<tr>
<td>Purchased coal</td>
<td>45</td>
<td>79</td>
<td>148</td>
</tr>
<tr>
<td>Total</td>
<td>$320</td>
<td>$247</td>
<td>$797</td>
</tr>
</tbody>
</table>

The increase in produced coal revenues in 1994 compared with 1993 is due primarily to a 12 percent increase in sales volume together with a slight increase in sales price. Sales volume of produced coal is up due to a strong demand for metallurgical coal by the steel industry resulting from continued economic growth in the United States. Sales of purchased coal declined as the result of a planned shift towards an increased proportion of produced coal. Operating profit declined in 1993 compared with 1992 primarily as the result of the previously mentioned nonoccurring $10 million pretax settlement charge in 1993 despite a 5 percent increase in gross margin associated with the higher volume of sales produced.

Other

Net interest income increased in 1994 compared with 1993 due to an increase in interest income and a decrease in interest expense. Interest income increased due to higher average investable funds and interest rates, whereas the lower interest expense was attributable to reduced amounts of debt. Interest income increased slightly in 1993 compared with 1992 due largely to long-term debt repayments during 1993 and 1992 of approximately $46 million and $18 million, respectively. The resultant decrease in 1993 interest expense was offset by lower interest income due to lower interest rates and lower interest earning assets.

Corporate administrative and general expense increased in 1994 compared with 1993 due primarily to higher stock price and performance driven compensation plans expense partially offset by an increase in net period pension income.

Corporate administrative and general expense increased in 1993 compared with 1992 due primarily to higher net period pension income in 1992.

The company has only minimal exposure to foreign currency fluctuations as it is generally able to negotiate neutral positions by matching the foreign currency revenues and costs in its engineering and construction activities. From time to time, the company enters into foreign exchange contracts to hedge specific foreign currency commitments. The company does not have significant exposure to foreign currency exchange fluctuations, and, therefore, does not have significant risk to currency fluctuations. During 1994, the net translation adjustment represented a gain of $35 million in the cumulative translation component of shareholders' equity due to overall strengthening of the Dutch guilder and British pound against the U.S. dollar.

In December 1994, the Mexican government announced a major devaluation to the peso. The company believes that its exposure to such exchange rate fluctuations remains significant.

The effective tax rate on earnings from continuing operations for 1994 is essentially unchanged as compared to 1993 and 1992, after excluding the reversal of $1.6 million of income tax liabilities in 1993.

As of October 31, 1994, the company retroactively adopted as of the beginning of the fiscal year Statement of Financial Accounting Standards No. 112, "Employers' Accounting for Postemployment Benefits" (SFAS No. 112). The statement requires accrual of the estimated cost of benefits provided by the employer to former or inactive employees after employment but before retirement. The adoption of SFAS No. 112 had no impact on results of operations or financial position.

In May 1993, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 113, "Accounting for Certain Investments in Debt and Equity Securities" (SFAS No. 113). The statement addresses the accounting and reporting for investments in equity securities that have readily determinable fair values and for all investments in debt securities. Adoption of SFAS No. 115 is not required by the company until 1995. Based on the nature and composition of the company's current investment portfolios, the impact of implementation will not be material.

Discontinued Operations

On April 7, 1994, the company completed the sale of its Lead business to an affiliate of a private investment company for approximately $118 million in cash, less deferred and preferred dividends on the common stock. Proceeds included $73 million cash and the closing and deferred amounts to be paid in installments over periods ranging from five to eight years. The company announced its decision to exit its Lead business in November 1992, and, as of October 31, 1992, the Lead business was classified as a discontinued operation and adjusted to estimated net realizable value. See Acquisitions and Dispositions in the Notes to Consolidated Financial Statements on page 35, for additional information.

The sale by the company of its Lead business included St. Joe Minerals Corporation ("St. Joe"), and its environmental liabilities for several different lead mining, smelting and other lead-related environmental sites associated with the St. Joe sale, however, the company retained responsibility for certain non-lead related environmental liabilities, but only to the extent that such liabilities are not covered by St. Joe's comprehensive general liability insurance.

In 1987, St. Joe sold its zinc mining and smelting division to Zinc Corporation of America ("ZCA"). As part of the sale agreement, St. Joe and the company agreed to indemnify ZCA in the event that certain environmental liabilities arise from three Zinc facilities (the "Zinc facilities"). During 1993, ZCA made claims under this indemnity as well as under the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA") against St. Joe. In 1994, ZCA filed suit against St. Joe and the company, among others, seeking compensation. In 1994, the company and St. Joe, among others, executed a settlement agreement with ZCA which, among other things, cancels the indemnity previously provided to ZCA and limits environmental expenditures at the Zinc facilities for which St. Joe would be responsible to no more than approximately $10 million. This amount had been previously reserved by the company. Expenses incurred and payments made under the settlement agreement are expected to be made over a period of at least 5 years.

Financial Position and Liquidity

The increase in cash flows from operating activities in 1994 is due primarily to increased earnings, collection of accounts and project financing receivables and increases in certain short-term liabilities primarily related to project activity.

Increases and decreases in working capital from year to year are affected by the mix, stage of completion and commercial readiness of engineering and construction projects. The increase in cash utilized by investing activities in 1993 was primarily attributable to increased capital expenditures and coal company acquisitions. During 1994, Massey Coal purchased three coal mining companies for consideration totaling $68 million, including cash of $38 million and the assumption of approximately $30 million of liabilities. In 1993 and 1992, consideration for the purchase of coal mining companies included cash of $124 million and $77 million, respectively. The purchase of coal mining companies resulted in the assumption of approximately $13 million and $15 million of liabilities in 1993 and 1992, respectively.

Massey's capital expenditures and investments have been directed toward the acquisition of high-quality, low-sulfur coal to benefit from an expected increase in demand due to the Clean Air Act. Investing activity also includes the initial pretax proceeds from the sale of the Lead business which was completed in 1993. Cash utilized by financing activities consisted primarily of dividend payments and payments on short and long-term debt.

The long-term debt to capitalization ratio at October 31, 1994 was 2.0 percent, compared with 5.4 percent and 6.5 percent at October 31, 1993 and 1992, respectively. The 1994 ratio decreased due to the reclassification of a $34.7 million note from long-term to current based on management's decision to prepay the note in 1995 and the increase in shareholders' equity from earnings, net of dividends.

The company has on hand and access to sufficient sources of funds to meet its anticipated operating, expansion and capital needs. Significant short and long-term lines of credit are maintained with banks which, along with cash on hand and marketable securities, provide adequate operating liquidity. Additional liquidity is provided by the company's commercial paper program under which there was $717 million and $30 million, respectively, outstanding at October 31, 1994 and 1993.

Quarterly cash dividends of $.12 per share declared in December 1993 were raised to $.12 per share in December 1992, to $.13 per share in December 1991 and to $.15 per share in December 1994.

Although the company is affected by inflation and the cyclical nature of the industry, its Engineering and Construction operations are generally protected by the ability to recover cost increases through price escalation provisions in most contracts. Certain operations produce a commodity which is internationally traded and market conditions can vary significantly over a short period of time outside the control of the company. However, commodity prices generally tend over the long term to correlate with inflationary trends and the company's substantial coal reserves provide a hedge against the long-term effects of inflation.

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.
## Consolidated Balance Sheet

### Assets

<table>
<thead>
<tr>
<th>Category</th>
<th>1994</th>
<th>1993</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$374,468</td>
<td>$117,618</td>
</tr>
<tr>
<td>Marketable securities</td>
<td>97,535</td>
<td>318,672</td>
</tr>
<tr>
<td>Accounts and notes receivable</td>
<td>308,877</td>
<td>506,351</td>
</tr>
<tr>
<td>Contract work in progress</td>
<td>32,834</td>
<td>52,703</td>
</tr>
<tr>
<td>Inventories</td>
<td>172,832</td>
<td>56,967</td>
</tr>
<tr>
<td>Deferred taxes</td>
<td>76,264</td>
<td>1,258,463</td>
</tr>
<tr>
<td>Other current assets</td>
<td>13,697</td>
<td>1,258,463</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>1,258,463</td>
<td>1,309,024</td>
</tr>
<tr>
<td><strong>Property, Plant and Equipment</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land</td>
<td>59,779</td>
<td>58,867</td>
</tr>
<tr>
<td>Buildings and improvements</td>
<td>333,513</td>
<td>304,566</td>
</tr>
<tr>
<td>Machinery and equipment</td>
<td>643,818</td>
<td>761,574</td>
</tr>
<tr>
<td>Mining properties and mineral rights</td>
<td>499,459</td>
<td>89,735</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>1,544,585</td>
<td>1,544,585</td>
</tr>
<tr>
<td>Less accumulated depreciation, depletion and amortization</td>
<td>514,417</td>
<td>441,676</td>
</tr>
<tr>
<td><strong>Net property, plant and equipment</strong></td>
<td>1,034,167</td>
<td>1,000,009</td>
</tr>
<tr>
<td><strong>Other Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments and goodwill, net of accumulated amortization of $35,956 and $44,490, respectively</td>
<td>52,183</td>
<td>52,183</td>
</tr>
<tr>
<td>Other</td>
<td>128,613</td>
<td>146,568</td>
</tr>
<tr>
<td><strong>Total other assets</strong></td>
<td>231,868</td>
<td>128,551</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>$2,824,768</td>
<td>$2,588,884</td>
</tr>
</tbody>
</table>

### Liabilities and Shareholders' Equity

<table>
<thead>
<tr>
<th>Category</th>
<th>1994</th>
<th>1993</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>$333,144</td>
<td>$289,721</td>
</tr>
<tr>
<td>Note payable to affiliate</td>
<td>30,000</td>
<td>30,000</td>
</tr>
<tr>
<td>Commercial paper</td>
<td>29,937</td>
<td>30,653</td>
</tr>
<tr>
<td>Advance billings on contracts</td>
<td>394,441</td>
<td>394,441</td>
</tr>
<tr>
<td>Accrued salaries, wages and benefit plan liabilities</td>
<td>199,506</td>
<td>190,447</td>
</tr>
<tr>
<td>Other accrued liabilities</td>
<td>58,001</td>
<td>1,687</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td>2,021,520</td>
<td>2,021,520</td>
</tr>
<tr>
<td><strong>Long-Term Debt Due After One Year</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Noncurrent Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred taxes</td>
<td>45,199</td>
<td>51,642</td>
</tr>
<tr>
<td>Other</td>
<td>511,837</td>
<td>502,610</td>
</tr>
<tr>
<td><strong>Total noncurrent liabilities</strong></td>
<td>558,036</td>
<td>554,252</td>
</tr>
<tr>
<td><strong>Contingencies and Commitments</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shareholders' Equity</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital stock</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Preferred - authorized 10,000,000 shares without par value, none issued</td>
<td>541,904</td>
<td>478,504</td>
</tr>
<tr>
<td>Common - authorized 150,000,000 shares of $0.625 par value; issued and outstanding in 1994 - 82,507,568 shares and in 1993 - 82,093,207 shares</td>
<td>334,678</td>
<td>334,678</td>
</tr>
<tr>
<td>Additional capital</td>
<td>244,919</td>
<td>244,919</td>
</tr>
<tr>
<td>Retained earnings (since October 31, 1989)</td>
<td>16,838</td>
<td>16,838</td>
</tr>
<tr>
<td>Unamortized executive stock plan expense</td>
<td>3,240</td>
<td>3,240</td>
</tr>
<tr>
<td>Cumulative translation adjustment</td>
<td>398</td>
<td>398</td>
</tr>
<tr>
<td><strong>Total shareholders' equity</strong></td>
<td>$2,824,768</td>
<td>$2,588,884</td>
</tr>
</tbody>
</table>

See Notes to Consolidated Financial Statements.
## Consolidated Statement of Earnings

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

### Revenues


### Cost of Revenues


### Other (Income) and Expense


### Earnings from Continuing Operations Before Tax

### Earnings from Continuing Operations

### Net Loss from Discontinued Operations, Net
1994: $(1,801), 1993: $(6,082), 1992: $(20,283)

### Earnings per Share
- Discontinued operations: 1994: $(0.07), 1993: $(0.07), 1992: $(0.07)


### Consolidated Statement of Cash, Flows

In thousands / Year ended October 31.

### Cash Flows from Operating Activities

Adjustments to reconcile net earnings to cash provided by operating activities:
- Change in accounting principle: 1994: $(6,818), 1993: $(55,674), 1992: $(51,008)
- Deferred taxes: 1994: $(2,801), 1993: $(6,082), 1992: $(55,574)
- Changes in operating assets and liabilities: 1994: $(141,753), 1993: $(91,430), 1992: $(58,436)


### Cash Flows from Investing Activities


### Cash Flows from Financing Activities
Increase (decrease) in note payable to affiliate: 1994: $(50,000), 1993: $30,000, 1992: $-228,354

Payments on long-term debt: 1994: $(3,742), 1993: $(46,189), 1992: $(70,946)


Increase in cash and cash equivalents: 1994: $(185,698), 1993: $(342,504), 1992: $(214,844)


See Notes to Consolidated Financial Statements.
Consolidated Statement of Shareholders' Equity

In thousands, except per share amounts

Year ended October 31, 1992, 1993 and 1994

<table>
<thead>
<tr>
<th>Common Stock</th>
<th>Additional Capital</th>
<th>Unamortized Executive Stock Plan Expense</th>
<th>Cumulative Translation Adjustment</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shares</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amount</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$50,691</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$414,616</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$411,886</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$10,797</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$2,145</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$900,645</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Balance at October 31, 1991

Net earnings
Cash dividends ($4.00 per share)
Exercise of stock options, net
Stock option tax benefit
Amortization of executive stock plan expense
Issuance of restricted stock, net
Common stock repurchase
Translation adjustment (net of deferred taxes of $535)

Balance at October 31, 1992

Net earnings
Cash dividends ($4.80 per share)
Exercise of stock options, net
Stock option tax benefit
Amortization of executive stock plan expense
Issuance of restricted stock, net
Tax benefit from reduction of valuation allowance for deferred tax assets
Translation adjustment (net of deferred taxes of $1,694)

Balance at October 31, 1993

Net earnings
Cash dividends ($5.00 per share)
Exercise of stock options, net
Stock option tax benefit
Amortization of executive stock plan expense
Issuance of restricted stock, net
Tax benefit from reduction of valuation allowance for deferred tax assets
Translation adjustment (net of deferred taxes of $3,685)

Balance at October 31, 1994

Net earnings
Cash dividends ($5.20 per share)
Exercise of stock options, net
Stock option tax benefit
Amortization of executive stock plan expense
Issuance of restricted stock, net
Tax benefit from reduction of valuation allowance for deferred tax assets
Translation adjustment (net of deferred taxes of $3,685)

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. All significant intercompany transactions of consolidated subsidiaries are eliminated. Certain 1993 and 1992 amounts have been reclassified to conform with the 1994 presentation. In November 1992, the company announced its decision to exit its Lead business and on April 7, 1994 a sale was completed. The assets and liabilities of the Lead business for periods prior to the sale are shown as net assets of discontinued operations.

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 revenue and cost of revenue when management believes that the contract 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 they are determined. Revenues recognized in excess of amounts billed are classified as current assets under contract work in progress. Amounts received from 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, 1994 will be billed and collected in 1995.

Depreciation, Depletion and Amortization

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

Exploration, Development and Reclamation

Coal exploration costs are expensed as incurred. Development and acquisition costs of coal properties, when expected to be significant, are capitalized in mining properties and depleted. The company accrues for post-mining reclamation costs as coal is mined. Reclamation of disturbed acreage is performed as a normal part of the mining process.

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

Earnings per share is based on the weighted average number of common and, when appropriate, common equivalent shares outstanding in each period. Common equivalent shares, primarily stock options, are included when the effect of exercise would be dilutive.
Inventorys
Coal inventories are stated at the lower of cost, using the last-in, first-out (LIFO) method, or net realizable value.
Supplies and other are valued on the average cost method. Inventories comprise:

<table>
<thead>
<tr>
<th>In thousands</th>
<th>1994</th>
<th>1993</th>
<th>1992</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coal</td>
<td>$24,795</td>
<td>$15,375</td>
<td>$42,549</td>
</tr>
<tr>
<td>Supplies</td>
<td>$62,703</td>
<td>$32,316</td>
<td>$141,723</td>
</tr>
<tr>
<td>Total Inventories</td>
<td>$87,546</td>
<td>$47,691</td>
<td>$184,278</td>
</tr>
</tbody>
</table>

Foreign Currency
The company enters into forward exchange contracts to hedge foreign currency transactions, and to not to engage in currency speculation. The company's forward exchange contracts do not subject the company to risks from exchange rate movements because gains and losses on such contracts offset losses and gains, respectively, on the assets, liabilities, or transactions being hedged. At October 31, 1994, the company had $275.5 million of foreign exchange contracts outstanding relating to foreign currency denominated long-term debt and interest, lease commitments and 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-rated international banks) do not fulfill their obligations to deliver the contracted currencies, the company could be at risk for any currency-related fluctuations. 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 has had no need to hedge foreign currency cash flows for contract work performed. The functional currency of all significant foreign operations is the local currency.

Concentrations of Credit Risk
The company provides a variety of financing arrangements for its Engineering and Construction clients. The majority of accounts receivable and all contract work in progress are from Engineering and Construction clients in various industries and locations throughout the world. Most contracts require payments as the project progresses or in certain cases advance payments. Accounts and notes receivable at October 31, 1994 and 1993 include $5.2 million and $47.5 million, respectively, in notes receivable related to engineering and construction contracts. The company generally does not require collateral but, in most cases can place liens against the property, plant or equipment constructed if a default occurs. Accounts receivable from customers of the company's Coal operations are primarily concentrated in the steel and utility industries. The company maintains adequate reserves for potential credit losses and such losses have been minimal and within management's estimates.

Consolidated Statement of Cash Flows
The company invests in short-term, highly liquid investment grade securities which are usually sold before their maturity. The changes in operating assets and liabilities as shown in the Consolidated Statement of Cash Flows comprise:

<table>
<thead>
<tr>
<th>Description</th>
<th>1994</th>
<th>1993</th>
<th>1992</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts and notes receivable</td>
<td>$73,095</td>
<td>$80,125</td>
<td>$50,758</td>
</tr>
<tr>
<td>Contract work in progress</td>
<td>(2,646)</td>
<td>(87,143)</td>
<td>37,456</td>
</tr>
<tr>
<td>Inventories</td>
<td>(18,041)</td>
<td>(18,429)</td>
<td>(2,626)</td>
</tr>
<tr>
<td>Other current assets</td>
<td>(8,493)</td>
<td>8,126</td>
<td>(12,441)</td>
</tr>
<tr>
<td>Increase (decrease) in:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>43,513</td>
<td>90,720</td>
<td>(8,430)</td>
</tr>
<tr>
<td>Advance billings on contracts</td>
<td>25,406</td>
<td>20,886</td>
<td>18,783</td>
</tr>
<tr>
<td>Accrued liabilities</td>
<td>28,550</td>
<td>(16,677)</td>
<td>29,755</td>
</tr>
<tr>
<td>Other noncurrent liabilities</td>
<td></td>
<td></td>
<td>(13,238)</td>
</tr>
<tr>
<td>Changes in operating assets and liabilities</td>
<td>$141,283</td>
<td>$(61,420)</td>
<td>$28,436</td>
</tr>
<tr>
<td>Cash paid during the year for:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest expense</td>
<td>$12,830</td>
<td>$20,152</td>
<td>$18,650</td>
</tr>
<tr>
<td>Income tax payments, net</td>
<td>81,910</td>
<td>80,469</td>
<td>53,735</td>
</tr>
</tbody>
</table>
Income Taxes

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

[Table with data]

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:

[Table with data]

The company established a valuation allowance to reduce certain deferred tax assets to amounts that are more likely than not to be realized. Substantially all of this allowance relates to deferred tax assets existing at the date of the company's 1987 quasi reorganization. Reductions in the valuation allowance relating to these 1987 deferred tax assets are credited to additional capital. In 1994 and 1993, reductions in the valuation allowance resulted in an increase to additional capital of $3.7 million and $24.1 million, respectively.

Residual income taxes of approximately $12 million have not been provided on approximately $30 million of undistributed earnings of certain foreign subsidiaries at October 31, 1994, because the company intends to keep those earnings reinvested indefinitely.

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

[Table with data]

Net earnings for 1993 include $12.6 million related to the favorable conclusion of a federal income tax audit for the years 1984 through 1986. As a result of the conclusion of that audit, $12.6 million in income tax liabilities were no longer deemed necessary and were reversed.

The Internal Revenue Service is currently examining the company's returns for fiscal years 1987 through 1989. Management does not expect any resolution of any tax issues raised by the IRS for these years or subsequent periods to be longer term in nature.
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 $67 million in both 1994 and 1993, and $65 million in 1992 is primarily related to domestic engineering and construction operations. Contributions to defined benefit pension plans are generally at the minimum annual amount required by applicable regulations. Payments to retired employees under these plans are generally based upon length of service and/or a percentage of qualifying compensation.

The defined benefit plans are primarily related to international engineering and construction operations, U.S. craft employees and coal operations. Net periodic pension income for continuing operations defined benefit pension plans includes the following components:

<table>
<thead>
<tr>
<th>in thousands</th>
<th>Year ended October 31</th>
<th>1994</th>
<th>1993</th>
<th>1992</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service costs incurred during the period</td>
<td>12,310</td>
<td>$ 14,518</td>
<td>$ 12,419</td>
<td></td>
</tr>
<tr>
<td>Interest cost on projected benefit obligation</td>
<td>18,494</td>
<td>17,916</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income and gains on assets invested</td>
<td>(3,907)</td>
<td>(7,438)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net amortization and deferral</td>
<td>(364,551)</td>
<td>30,895</td>
<td>(14,472)</td>
<td></td>
</tr>
<tr>
<td>Net periodic pension income</td>
<td>(7,577)</td>
<td>(6,762)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

- **Year ended October 31, 1994, 1993, 1992**
  - **Discount rates**
    - 7.0-8.0% 8.5-9.5% 8.5-9.5%
  - **Expected long-term rates of return on assets**
    - 6.0-10.0% 7.5-10.0% 7.5-10.0%

In recognition of the current interest rate environment, as of October 31, 1994, the company adjusted the discount rates used in the determination of its benefit obligations to 7.75-9.25 percent, the expected long-term rates of return to 6.75-10.25 percent and the rates of salary increases to 4.0-6.25 percent.

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

<table>
<thead>
<tr>
<th>in thousands</th>
<th>Year ended October 31</th>
<th>1994</th>
<th>1993</th>
<th>1992</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actuarial present value of benefit obligations:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vested benefit obligation</td>
<td>211,071</td>
<td>$ 211,482</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nonvested benefit obligation</td>
<td>16,433</td>
<td>16,774</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accumulated benefit obligation</td>
<td>227,504</td>
<td>$ 228,256</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Plan assets at fair values (primarily listed stocks and bonds)</td>
<td>393,119</td>
<td>$ 373,421</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Projected benefit obligation</td>
<td>(163,028)</td>
<td>(266,709)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Plan assets in excess of projected benefit obligation</td>
<td>230,091</td>
<td>$ 106,712</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrecognized net gain</td>
<td>12,625</td>
<td>(12,048)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrecognized net asset at implementation</td>
<td>(20,640)</td>
<td>(50,723)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pension asset recognized in the Consolidated Balance Sheet</td>
<td>94,769</td>
<td>$ 81,944</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>in thousands</th>
<th>Year ended October 31</th>
<th>1994</th>
<th>1993</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$ 374,408</td>
<td>$ 374,408</td>
<td></td>
</tr>
<tr>
<td>Marketable securities</td>
<td>127,618</td>
<td>119,355</td>
<td></td>
</tr>
<tr>
<td>Notes receivable including non-current portion</td>
<td>104,117</td>
<td>105,088</td>
<td></td>
</tr>
<tr>
<td>Long-term investments</td>
<td>15,811</td>
<td>16,616</td>
<td></td>
</tr>
<tr>
<td>Commercial paper and notes payable</td>
<td>10,997</td>
<td>10,997</td>
<td></td>
</tr>
<tr>
<td>Long-term debt including current portion</td>
<td>63,567</td>
<td>64,405</td>
<td></td>
</tr>
<tr>
<td>Other noncurrent financial liabilities</td>
<td>2,691</td>
<td>2,691</td>
<td></td>
</tr>
<tr>
<td>Foreign currency contract obligations</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Letters of credit</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Line of credit</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The accumulated postretirement benefit obligation at October 31, 1994 and 1993 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 12.5 percent in 1993 down to 5 percent in 2004 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 5 percent. The discount rates used in determining the accumulated postretirement benefit obligation were 8.5 percent and 7 percent at October 31, 1994 and 1993, respectively.

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

<table>
<thead>
<tr>
<th>in thousands</th>
<th>Year ended October 31</th>
<th>1994</th>
<th>1993</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service cost incurred during the period</td>
<td>1,352</td>
<td>$ 1,077</td>
<td></td>
</tr>
<tr>
<td>Interest cost on accumulated postretirement benefit obligation</td>
<td>4,513</td>
<td>4,601</td>
<td></td>
</tr>
<tr>
<td>Net periodic postretirement benefit cost</td>
<td>5,865</td>
<td>$ 5,678</td>
<td></td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>in thousands</th>
<th>At October 31</th>
<th>1994</th>
<th>1993</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accumulated postretirement benefit obligation:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retirees</td>
<td>44,517</td>
<td>$ 49,416</td>
<td></td>
</tr>
<tr>
<td>Fully eligible active participants</td>
<td>6,853</td>
<td>6,570</td>
<td></td>
</tr>
<tr>
<td>Other active plan participants</td>
<td>10,713</td>
<td>9,150</td>
<td></td>
</tr>
<tr>
<td>Unrecognized gain (loss)</td>
<td>3,687</td>
<td>(4,330)</td>
<td></td>
</tr>
<tr>
<td>Accrued postretirement benefit obligation</td>
<td>63,750</td>
<td>$ 65,730</td>
<td></td>
</tr>
</tbody>
</table>

During 1994, Massey assumed approximately $5 million of postretirement related liabilities in connection with the acquisition of a coal company.

The above 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 the plans.

As of October 31, 1994, the company retroactively adopted, as of the beginning of the fiscal year, Statement of Financial Accounting Standards No. 113, "Employers' Accounting for Postemployment Benefits" (SFAS No. 113). The statement requires accrual of the estimated cost of benefits provided by the employer to former or inactive employees after employment but before retirement. The adoption of SFAS No. 113 had no impact on the results of operations or financial position.

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

<table>
<thead>
<tr>
<th>in thousands</th>
<th>Year ended October 31</th>
<th>1994</th>
<th>1993</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$ 374,408</td>
<td>$ 374,408</td>
<td></td>
</tr>
<tr>
<td>Marketable securities</td>
<td>127,618</td>
<td>119,355</td>
<td></td>
</tr>
<tr>
<td>Notes receivable including non-current portion</td>
<td>104,117</td>
<td>105,088</td>
<td></td>
</tr>
<tr>
<td>Long-term investments</td>
<td>15,811</td>
<td>16,616</td>
<td></td>
</tr>
<tr>
<td>Commercial paper and notes payable</td>
<td>10,997</td>
<td>10,997</td>
<td></td>
</tr>
<tr>
<td>Long-term debt including current portion</td>
<td>63,567</td>
<td>64,405</td>
<td></td>
</tr>
<tr>
<td>Other noncurrent financial liabilities</td>
<td>2,691</td>
<td>2,691</td>
<td></td>
</tr>
<tr>
<td>Foreign currency contract obligations</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Letters of credit</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Line of credit</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
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 $112.1 million and $18.1 million at October 31, 1994 and 1993, respectively, relating to these liabilities.

Stock Plans

The company's executive stock plans, approved by the shareholders, provide for grants of nonqualified or incentive stock options, restricted stock awards and stock appreciation rights ("SARs"). All plans are administered by the Organization and Compensation Committee of the Board of Directors ("Committee") comprised of outside directors, none of whom are eligible to participate in the plans. Stock options may be granted with or without SARs. Grant prices are determined by the Committee and are established at the fair market value of the company's common stock at the date of grant. Options and SARs normally extend for 10 years and under committee policy become exercisable in installments of 25 percent per year commencing one year from the date of grant or over a vesting period determined by the Committee.

Restricted stock awards issued under the plans provide that shares awarded may not be sold or otherwise transferred until restrictions as established by the Committee have lapsed. Upon termination of employment, shares upon which restrictions have not lapsed must be returned to the company. Restricted stock issued under the plans totaled $15,980 and 201,540 shares in 1994 and 1993, respectively.

The following table summarizes stock option activity for the two years ended October 31, 1994:

<table>
<thead>
<tr>
<th>Stock Options</th>
<th>Price Per Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outstanding at October 31, 1991</td>
<td>2,493,449</td>
</tr>
<tr>
<td>Granted</td>
<td>620,240</td>
</tr>
<tr>
<td>Expired or cancelled</td>
<td>52,648</td>
</tr>
<tr>
<td>Exercised</td>
<td>1,830,677</td>
</tr>
<tr>
<td>Outstanding at October 31, 1993</td>
<td>2,609,644</td>
</tr>
<tr>
<td>Granted</td>
<td>593,080</td>
</tr>
<tr>
<td>Expired or cancelled</td>
<td>38,376</td>
</tr>
<tr>
<td>Exercised</td>
<td>1,947,964</td>
</tr>
<tr>
<td>Outstanding at October 31, 1994</td>
<td>2,072,106</td>
</tr>
<tr>
<td>Exercisable at:</td>
<td></td>
</tr>
<tr>
<td>October 31, 1991</td>
<td>1,457,530</td>
</tr>
<tr>
<td>October 31, 1994</td>
<td>1,235,086</td>
</tr>
<tr>
<td>Available for grant at:</td>
<td></td>
</tr>
<tr>
<td>October 31, 1993</td>
<td>1,950,490 *</td>
</tr>
<tr>
<td>October 31, 1994</td>
<td>2,050,047 *</td>
</tr>
</tbody>
</table>

* Available for grant includes shares which may be granted in either stock options or restricted stock, as determined by the Committee under the 1988 Executive Stock Plan (the Plan).

Lease Obligations

Net rental expense for continuing operations amounted to $60 million, $69 million, and $80 million, in 1994, 1993, and 1992, respectively. The company's lease obligations relate primarily to office facilities, equipment used in connection with long-term construction contracts and other personal property. The company's obligations for minimum rentals under noncancelable leases are as follows:

<table>
<thead>
<tr>
<th>In thousands</th>
<th>October 31, 1994</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995</td>
<td>$ 38,278</td>
</tr>
<tr>
<td>1996</td>
<td>26,774</td>
</tr>
<tr>
<td>1997</td>
<td>33,539</td>
</tr>
<tr>
<td>1998</td>
<td>22,921</td>
</tr>
<tr>
<td>1999</td>
<td>18,054</td>
</tr>
<tr>
<td>Thereafter</td>
<td>32,446</td>
</tr>
</tbody>
</table>

At October 31, 1994 and 1993, obligations under capital leases of approximately $6 million and $7 million, respectively, are included in other noncurrent liabilities.
The company and certain of its subsidiaries are involved in litigation in the ordinary course of business. The company and certain of its engineering and construction subsidiaries are contingently liable for commitments and performance guarantees relating to 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.

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 grantees and generally obligate the company to make payment in the event of default by the borrower. Most arrangements require the borrower to pledge collateral, including real estate, plant and equipment which is deemed adequate to recover amounts the company might be required to pay. As of October 31, 1994, the company had extended financial guarantees on behalf of certain clients and other unrelated third parties totaling $59.4 million.

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 known or considered probable and can be reasonably estimated.

The sale by the company of its Lead business included St. Joe Minerals Corporation ("St. Joe"), and its environmental liabilities for several different lead mining, smelting and other lead related environmental sites. As a condition of the St. Joe sale, however, the company retained responsibility for certain non-lead related environmental liabilities arising out of St. Joe's former zinc mining and smelting division, but only to the extent that such liabilities are not covered by St. Joe's comprehensive general liability insurance. These liabilities arise out of three zinc facilities located in Barlineville, Oklahoma, Monaca, Pennsylvania, and Balmat, New York (the "Zinc Facilities").

In 1987, St. Joe sold its zinc mining and smelting division to Zinc Corporation of America ("ZCA"). As part of the sale agreement, St. Joe and the company agreed to indemnify ZCA for certain environmental liabilities arising from operations conducted at the Zinc Facilities prior to the sale. During 1993, ZCA made claims under this indemnity as well as under the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA") against St. Joe for past and future environmental expenditures at the Zinc Facilities. In 1994, ZCA (on behalf of ZCA and the company among others, seeking compensation for environmental expenditures at the Zinc Facilities. In 1994, the company and St. Joe, among others, executed a settlement agreement with ZCA which, among other things, cancels the indemnity previously provided to ZCA and limits environmental expenditures at the Zinc Facilities for which St. Joe would be responsible to no more than approximately $15 million, which was previously fully reserved by the company. Expenses incurred and payments made under the settlement agreement would be made over the span of at least 5 years.

In 1986 and 1987, St. Joe and others are currently prosecuting cost recovery actions under CERCLA against other potentially responsible parties for the Barlineville facility. In addition, St. Joe has initiated legal proceedings against certain of its insurance carriers alleging that the investigative and remediation costs, for which St. Joe is or may be responsible, including costs incurred prior to the sale of St. Joe and costs related to the Zinc Facilities, are covered by insurance. As a portion of any recoveries received from the insurance carriers would be pursuant to the St. Joe sale agreement, for the benefit of the company. In January 1995, St. Joe reached a settlement in principle with one of its insurance carriers alleging that the investigative and remediation costs for which St. Joe is or may be responsible, including costs incurred prior to the sale of St. Joe and costs related to the Zinc Facilities, are covered by insurance.

The company believes, based upon present information available to it, that its reserves with respect to future environmental costs are adequate and that such future costs will not have a material effect on the company's consolidated financial condition, 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.

### Operations by Business Segment

#### Engineering and Construction

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Engineering and Construction</td>
<td>$7,717.6</td>
<td>$7,133.6</td>
<td>$5,004.0</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Coal</td>
<td>767.7</td>
<td>716.6</td>
<td>696.7</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Continuing Operations</td>
<td>$8,485.3</td>
<td>$7,850.4</td>
<td>$6,600.7</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Revenue by Geographic Area

<table>
<thead>
<tr>
<th>$ in millions</th>
<th>1994</th>
<th>1993</th>
<th>1992</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coal Operations</td>
<td>2,184.8</td>
<td>2,141.6</td>
<td>2,216.9</td>
</tr>
<tr>
<td>Discontinued Operations</td>
<td>300.1</td>
<td>171.5</td>
<td>272.7</td>
</tr>
<tr>
<td>Continuing Operations</td>
<td>2,484.9</td>
<td>2,313.1</td>
<td>2,489.2</td>
</tr>
</tbody>
</table>

### Financial Guarantees

The company maintains reserves for potential future environmental costs where such obligations are known or considered probable and can be reasonably estimated.

The company's insurance carriers are contingently liable for commitments and performance guarantees relating to 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.
Reports of Management and Independent Auditors

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.

Les McCraw
Chairman of the Board and
Chief Executive Officer

J. Michal Conaway
Chief Financial Officer

Independent Auditors

Board of Directors and Shareholders

Fluor Corporation

We have audited the accompanying consolidated balance sheet of Fluor Corporation as of October 31, 1994 and 1993, and the related consolidated statements of earnings, cash flows, and shareholders' equity for each of the three years in the period ended October 31, 1994. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Fluor Corporation at October 31, 1994 and 1993, and the consolidated results of its operations and its cash flows for each of the three years in the period ended October 31, 1994, in conformity with generally accepted accounting principles.

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

Ernst & Young LLP

Orange County, California
November 29, 1994

Quarterly Financial Data
(Unaudited)

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

<table>
<thead>
<tr>
<th></th>
<th>First Quarter</th>
<th>Second Quarter</th>
<th>Third Quarter</th>
<th>Fourth Quarter</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>$ 2,057,665</td>
<td>$ 2,079,593</td>
<td>$ 1,963,052</td>
<td>$ 2,384,957</td>
</tr>
<tr>
<td>Gross margin</td>
<td>81,039</td>
<td>70,998</td>
<td>56,881</td>
<td>56,881</td>
</tr>
<tr>
<td>Earnings before taxes</td>
<td>43,998</td>
<td>47,739</td>
<td>46,553</td>
<td>46,553</td>
</tr>
<tr>
<td>Net earnings</td>
<td>$ 43,998</td>
<td>$ 47,739</td>
<td>$ 46,553</td>
<td>$ 46,553</td>
</tr>
<tr>
<td>Earnings per share</td>
<td>$ 0.53</td>
<td>$ 0.58</td>
<td>$ 0.58</td>
<td>$ 0.58</td>
</tr>
</tbody>
</table>

1993

<table>
<thead>
<tr>
<th></th>
<th>First Quarter</th>
<th>Second Quarter</th>
<th>Third Quarter</th>
<th>Fourth Quarter</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>$ 1,866,939</td>
<td>$ 2,066,054</td>
<td>$ 1,844,112</td>
<td>$ 2,193,064</td>
</tr>
<tr>
<td>Gross margin</td>
<td>66,071</td>
<td>58,207</td>
<td>74,005</td>
<td>74,005</td>
</tr>
<tr>
<td>Earnings before taxes</td>
<td>56,881</td>
<td>46,553</td>
<td>64,935</td>
<td>64,935</td>
</tr>
<tr>
<td>Net earnings</td>
<td>$ 52,354</td>
<td>$ 47,739</td>
<td>$ 48,308</td>
<td>$ 48,308</td>
</tr>
<tr>
<td>Earnings per share</td>
<td>$ 0.63</td>
<td>$ 0.58</td>
<td>$ 0.58</td>
<td>$ 0.58</td>
</tr>
</tbody>
</table>

Second quarter 1993 net earnings include a reversal of income taxes no longer required of $2.6 million and an after-tax charge of $5.1 million of which $3.1 million was reversed in the fourth quarter of 1993 to provide for the estimated cost of settling disputed obligations relating to pension funds associated with the company's coal segment.
William R. Grant, 70, is chairman of the board of Gulf Associates, a health care venture capital group, and former chairman of MacKay-Shilling Financial Corporation. Mr. Grant adds extensive financial and corporate experience to the board. Additionally, he has taken a leading role in promoting current issues in corporate governance. He is also a director of Allianz, New York Life Insurance, SGL Energy, S-K-Finco, Brunswick, Wino Corporation, and several small private companies in the Gulf provinces.

Admiral Bobby R. Inman, 65, retired U.S. Navy, served as Director of the National Security Agency and Deputy Director of Central Intelligence. Admiral Inman's depth of political insight, global and strategic understanding of technology serves Fluor Corporation well. He is also a director of Science Applications International, SBC Communications, Temple-Inland and Xerox.

Robert V. Lindsay, 80, is the retired former president of J.P. Morgan & Co. Incorporated. Mr. Lindsay's 40-year career at J.P. Morgan encompassed a broad range of responsibilities which have provided extensive experience in international banking and finance. He also serves as a director of Chemical Bank, Wash. Mutual, Sørensen Financial, J.P. Morgan Overseas (closed), Resolution Associates, United Missouri, and is senior advisor to Dresdner Bank (Sweden). Mr. Lindsay is also a director of the Hispanic Foundation, the Hispanic Society of America, and the Hispanic Society of New York.

Vilma S. Martinez, 57, is a partner at Morgan, Tilles & Olson, and the former president and general counsel for the Mexican-American Legal Defense and Educational Fund (MALDEF). Her position of national prominence in the Hispanic and legal communities gives her key insights on work force issues. Ms. Martinez, also a director of the California State Bar, is involved in many aspects of jurisdiction and community organizations.

Brock Michel, 66, is Fluor's retired vice chairman of the board. Mr. Michel has served the company since 1968. Beginning his career at Durkin Construction Company, which was acquired by Fluor in 1973, he later served in senior officer positions for Fluor Corporation. His broad business experience and strong regional associations continually contribute ideas and opportunities for the company. Mr. Michel also serves as a director of Delta St Pictures, Delta Power, Emergent Group, Insignia Financial, Liberty Corporation, Marathon, Nature's Bank and RSL Holdings.

Les McCraw, 69, is chairman of the board and chief executive officer. Joining the company in 1975, he led the formation of Fluor Daniel in 1986. He was elected president of Fluor Corporation in 1989 and chief executive officer in 1990. Mr. McCraw also is a director of Allianz and Mellon, and is active in a number of organizations at the local, state, national and international levels. (1990)

Hugh K. Carlyle, 66, is vice chairman of Fluor Corporation. He joined Fluor in 1966 and has served in numerous positions throughout his career including several posts overseas with responsibilities for both international marketing and operations. He is a seasoned global executive. Mr. Carlyle was part of the team that led the formation of Fluor Daniel. Mr. McCraw is a director of The Dianaion (1995)

Governor Campbell Carroll Jr., 74, is president and chief executive officer of the American Council of Life Insurance. He is a former governor of South Carolina, elected to his first term in 1986. Governor Campbell has demonstrated leadership in the areas of public policy pertaining to jobs and business creation, and social and fiscal matters. From 1978 to 1986, he served in the U.S. House of Representatives, and was a member of the Appropriations and Ways and Means committees. (1995)

Peter J. Flor, 71, is president and chief executive officer of Texas G&L Energy. Mr. Flor brings extensive knowledge of the oil and gas industry, a key market for Fluor Daniel. He also serves as a director of SGL Energy and Texas Commerce Bank. (1986)

Dr. David P. Gardner, 61, is president of the William and Flora Hewlett Foundation and former president of the University of California. His extensive career in education provides valuable perspective on a topic of key importance to a professional services company like Fluor. Dr. Gardner is also a director of John Allan Financial Corporation and First Security Corporation. (1988)

Dr. William A. Cochran, 69, is a professor of government and Public Law and Policy at Princeton University. His research and teaching stresses political and economic issues. (1991)
To view the full page, please download the PDF file. The content of the page includes a list of senior international advisors, a directory section, and information about worldwide offices. The page also contains a list of names and titles, along with some brief biographical notes and positions held by individuals. The text is structured in a clear and organized manner, making it easy to read and understand the details provided.
EXECUTIVE LEADERSHIP TEAM

Les McCraw  
Chairman of the Board and Chief Executive Officer (1975)

Hugh K. Coble  
Vice Chairman (1996)

Dennis W. Benner  
Senior Vice President and Chief Financial Officer (1994)

Dennis G. Bernhart  
Group President-Americas (1986)  
Fluor Daniel

Don L. Blankenship  
Senior Vice President-Law and Secretary (1972)

Group President-Power and Government (1980)

R.M. (Dick) Teater  
Chairman-Fluor Constructors International, Inc. (1960)

Group President-Europe, Africa and Middle East (1969)

Vice President-Strategic Planning (1984)

W. Mack Torrence  
Vice President-Project Finance (1989)

A. T. MASSEY COAL COMPANY, INC.

Jim Stein  
President (1969)

Lila J. Churney  
Chairman (1960)

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

James O. Rollans  
Senior Vice President and General Counsel (1995)

J. Michal Conaway  
Executive Vice President-Sales (1972)

James L. Gardner  
Chairman of the Board and Chief Executive Officer (1982)

Senior Vice President and General Counsel (1995)

Bennett K. Hatfield  
Vice President-General Counsel (1981)

E. David Cole, Jr.  
Chief Coordinating Officer of CSX Operations (1993)

Stanley C. Suboleski  
Chief Coordinating Officer of CSX Operations (1981)

Hugh K. Coble  
Chairman of the Board and Chief Executive Officer (1982)

Vice President-Corporate Relations (1966)

Les McCraw  
Chairman of the Board and Chief Executive Officer (1975)

Chairman (1960)

Bahram  
Chairman of the Board and Chief Executive Officer (1993)

Vice President-Corporate Law (1974)

Yeats in parentheses indicate the year each officer or 

executive joined the company.

FLUOR CONSTRUCTORS INTERNATIONAL, INC.

Richard A. Flinton  
Chairman (1960)

Lawrence R. Copeland  
President (1966)

STOCKHOLDERS' REFERENCE

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

Write to:  
Vice President - Corporate Law,  
Fluor Corporation, 3333 Michelson Drive,  
Irvine, California 92700 (714) 975-2000.

REGISTRAR AND TRANSFER AGENT

Chemical Trust Company of California, 500 S. Grand Avenue 4th Floor, Los Angeles CA 90071 and Chemical Bank, 400 W. 33rd Street, New York, NY 10001. For change of address, lost dividends, or lost stock certificats, write to: Telephone: Chemical Bank, J.A.F. Building, P.O. Box 2688, New York, NY 10116-3068, Attn: Securityholder Relations (800) 815-2947.

VOTING RECORDS

Stockholders of record of Fluor's common stock.

shares outstanding and approximately 15,430

holders of Fluor's common stock.

Common Stock Information

At December 31, 1994, there were 82,727,721

shares outstanding and approximately 15,430

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

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Dividends Per Share</th>
<th>High</th>
<th>Low</th>
</tr>
</thead>
<tbody>
<tr>
<td>1994</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>First Quarter</td>
<td>$0.13</td>
<td>$45</td>
<td>$38</td>
</tr>
<tr>
<td>Second Quarter</td>
<td>$0.13</td>
<td>$56</td>
<td>$43</td>
</tr>
<tr>
<td>Quarter</td>
<td>$0.13</td>
<td>$55</td>
<td>$47</td>
</tr>
<tr>
<td>Third Quarter</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fourth Quarter</td>
<td>$0.12</td>
<td>$55</td>
<td>$46</td>
</tr>
<tr>
<td>$0.52</td>
<td>$10,000 per quarter. For details on the Plan, con­</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>tact Fluor's agent, Chemical Bank (800) 813-2847.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

STOCK TRADING


Dividend Reinvestment Plan

Fluor's Dividend Reinvestment Plan provides stockholders of record with the opportunity to reinvest dividends in additional shares of the common stock at a price of $10,000 per quarter. For details on the Plan, contact Fluor's agent, Chemical Bank (800) 813-2847.

Company Contacts

Stockholders Information: Lawrence N. Fisher  
714 975-6001

Invease Relations:  
Lila J. Churney  
714 975-3000

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