Fluor Corporation

Members of the Executive Committee of the Board of Directors of Fluor Corporation: clockwise, Buck Mickel, Chairman of Daniel International Corporation (seated, left), James L. Tathwell, Group Vice President, George W. Mofford, Senior Vice President-Finance, J. Robert Fluor, Chairman of the Board, Chief Executive Officer and President, David S. Tappan, Jr., Vice Chairman of the Board, Richard B. Humbert, Vice President-Law and Tax and Secretary (secretary), Charles N. Cannon, President of Fluor Engineers and Constructors, Inc., and Ross A. McClintock, Senior Vice President and President of Fluor Drilling Services, Inc. (seated).

The acquisition this fiscal year of Daniel International Corporation is the largest in the history of Fluor Corporation. We therefore devoted a major portion of the 1977 Fluor Annual Report to Daniel with the intent of providing shareholders a broad view of its activities.

Front Cover: A 284 ton nuclear reactor vessel is positioned for installation in containment building. The structure is part of a 1,398 megawatt combined nuclear and hydroelectric facility under construction by Daniel International Corporation, a Fluor subsidiary, for South Carolina Electric & Gas Company and South Carolina Public Service Authority. Acquired by Fluor in fiscal year 1977, Daniel is a leading constructor of power plants.
Fiscal 1977 was an historic year with respect to financial results, major acquisitions, and organizational changes.

The most important development in our company was our purchase of Daniel International Corporation, a major construction company headquartered in Greenville, South Carolina. The inclusion of Daniel has been particularly significant for the fiscal year ended January 26, 1978, with respect to financial results, capital expenditures and corporate charges, or 4.7 percent. These amounts are set forth in the table below. Included in the table are record earnings for Fluor Oil and Gas Corporation, the second largest contributor to earnings before taxes and corporate charges, with a record $21,391,000. In its five months as a Fluor subsidiary in fiscal 1977, Daniel was the fourth largest contributor to earnings before taxes and corporate charges.

FLUOR CORPORATION
Corporate Profile

Revenues Net Earnings $ BILLIONS $ MILLIONS
-Billions-
-4.0
1.00
3.13
4.0

3.0
5.35
0.9

4.0
5.4
6.0
7.25


The Board also voted to reincorporate the company in Delaware. This proposed change will be submitted to the shareholders for their approval at the Annual Meeting on March 15, 1978.

Fluor and Daniel have provided a large amount of data. Counsel for the company and an independent research organization have analyzed this data and have advised us that the acquisition should not be challenged by the Justice Department.

Despite the outlay required by the Daniel acquisition, our balance sheet remains strong. At year end, Fluor's long-term debt — including $1.1 million of debt assumed from Daniel — was $37.5 million, or 9.4 percent of total capitalization, compared with $41.4 million, or 1.3 percent, the previous year. Cash-on-hand and short-term investments were $116 million, compared with $105 million at year-end '76.

The purchase of Daniel, we believe, demonstrates our intention to effectively invest our growing financial resources in complementary activities.

The Fluor Board of Directors in June amended the Corporation's by-laws to expand the Board from 16 to 18 members, then elected Buck Mickel, Chairman of Daniel, and Charles W. Cox, Vice Chairman, to the Board.

On June 30, 1977, we acquired an interest in the Pebble Coal Company through the purchase of 10 percent of the common stock of Pebble Holding Company for approximately $30,300,000. Fluor paid $5.8 million cash in fiscal 1977 and the balance in January 1978. Our decision to purchase an interest in Pebble Coal Company — the largest producer of steam coal in the U.S. — was based on our belief that coal will gain increasing importance as a domestic energy source.

Dividends on Fluor common stock were paid at an annual rate of $1.00 per share, or 25 cents per quarter, compared with 70 cents the previous year. Taking into consideration Fluor's increase in earnings for fiscal 1977, the Board of Directors, at its regular meeting in December, increased the quarterly dividend to 30 cents per share, or an annual rate of $1.20. This was the fifth increase in four years.

The Board also declared a quarterly cash dividend of 75 cents per share on the company's Series B preferred stock. Dividends on both the common and preferred stock were payable January 15, 1978, to shareholders of record at the close of business on December 30, 1977.

The Board also voted to reincorporate the company in Delaware. This proposed change will be submitted to the shareholders for their approval at the Annual Meeting on March 15, 1978.

Early in the year, management of our engineering and construction subsidiaries reorganized to achieve tighter coordination among subsidiaries and to provide additional senior management support, while creating growth opportunities for younger executives.

In this restructuring, the Board assigned David S. Tappan, Jr., Vice Chairman, the responsibility of heading all of the Corporation's engineering and construction operations. In addition, Charles N. Cannon was named President of Fluor Engineers and Constructors, reporting to Mr. Tappan. Within Mr. Cannon's organization, Arthur C. Sheffield was made Group Vice President - Marketing. William I. McKay was named Group Vice President - International Operations, and Ernest Moncrief was made Group Vice President - Western Hemisphere. With the acquisition of Daniel, that organization, under the leadership of Buck Mickel as Chairman, also reports to Mr. Tappan.

James L. Tathwell was named Group Vice President, reporting to Mr. Tappan, and assumed responsibility for Fluor's other engineering and construction subsidiaries. In addition, Mr. Tathwell is in charge of Fluor's two supply companies and Deep Oil Technology, Inc.

Subsequent to year end, the name of Fluor's mining and metals engineering and construction subsidiary was changed from Fluor Utah, Inc., to Fluor Mining & Metals, Inc. This new name provides a more adequate description of the business activities of this subsidiary. In addition, an extensive sales and management reorganization has been implemented.

Fluor Engineers and Constructors, Inc., our largest subsidiary, had record earnings before taxes of $150,445,000, which accounted for 72 percent of the Corporation's earnings before taxes and corporate charges, compared with $125,508,000, or 80 percent in 1976.

Fluor Oil and Gas Corporation was the second largest contributor to earnings before taxes and corporate charges, with a record $21,391,000. In its five months as a Fluor subsidiary in fiscal 1977, Daniel was the fourth largest contributor...
Daniel International Corporation

The average age of the company's top management is 43. This group guided the operations last year of approximately 4,500 permanent employees and 40,000 field employees hired directly or subcontracted for projects.

During 1977, DCC's groups had some 188 projects underway at one time and received orders for more than 100 new jobs. Of these new jobs, 18 call for Daniel to perform engineering design as well as construction. Significantly, the percentage of new orders including design has been increasing as a result of concerted marketing efforts.

DCC has 10 offices in the United States, in addition to overseas offices in Puerto Rico, Scotland, Ireland, Germany, and Saudi Arabia. It is currently operating in the United States, Europe, the Middle East, Canada, and the Caribbean. In recent years, a major effort has been made to broaden operations from the Southeast to other areas of the U.S. This thrust has led to contracts in the Midwest, Gulf Coast, Northeast, and the West Coast.

According to the National Association of Manufacturers, more than 50 percent of all construction jobs in the U.S. during 1977 were being performed on an open-shop basis, compared with 26 percent in 1970. More than 85 percent of DCC's active contracts in 1977 were being performed on an open-shop basis, but a key factor in its expansion outside the South has been its ability to assume a labor posture based on a client's needs, whatever they might be.

Power Group
Daniel Construction Company's Power Group manages Daniel's largest backlog, consisting of many large long-term projects for which the Power Group has responsibility into the late 1980s.

Currently, the Power Group is under contract to build nuclear, fossil, and hydroelectric power plants totalling approximately 14,000 megawatts (MW) of electrical generating capacity. The Power Group completed 1,550 MW in projects during the year. Ten nuclear units in six locations accounted for almost 10,000 MW of Daniel's backlog currently under construction.

Since its entry into the field in 1970, Daniel has become the fifth largest nuclear power-plant contractor in the United States. Although a number of its projects have been delayed for reasons beyond the company's control during the past four years, all of these jobs were again moving ahead by year-end 1977.

However, few nuclear awards were made in the United States in 1977. Fossil- and hydro-power-plant markets also were soft as utility companies continued to delay large capital commitments, primarily due to uncertainty regarding adequate return on investment. Fortunately, the Power Group obtained a substantial backlog in the 1973-75 period and increased its employee population by 27 percent as these projects moved into high gear.

In November 1977, the Power Group successfully brought its first nuclear plant on line. Located in Dothan, Alabama, the 860 MW unit went into service after seven years' construction. A second 860 MW unit is under construction and scheduled to go on-line in 1980. At La Cygne, Kansas, a 600 MW coal-fired unit constructed by the Power Group was brought into service in the spring of 1977.

In 1977, the Group was authorized to restart an 870 MW nuclear plant near Monroe, Michigan. Construction on the job — started in 1969, then deferred in 1974 — is now more than 50 percent along toward a 1980 completion date. Another major power-construction project is the combined 518 MW nuclear plant and 480 MW pumped-storage hydroelectric facility at Parr, South Carolina (see front cover and pages 6 and 7). The site covers about 15,000 acres, including a main water-storage reservoir of some 6,800 acres. Toward the end of the year, the Power Group began installation of the nuclear reactor vessel, having completed the first of eight 50 MW units at the hydro facility. The hydro and nuclear plants are scheduled to go into service in 1978 and 1980, respectively.

Early in the year, the Group started construction of an 1150 MW nuclear plant at Burlington, Kansas. Completion is scheduled for 1982.

The Power Group also resumed work on the largest pumped-storage hydroelectric facility currently under construction in the United States. The job, located in Bath County, Virginia, will consist of six 350 MW units to be completed in 1983. Among the demands of this large project is a requirement to move 40 million cubic yards of earth. Several large-bore tunnels will be drilled to move water between the project's upper and lower reservoirs and through the power house.

Chemical and Fibers Group
Typical clients for the Chemical and Fibers Group consist of domestic companies in the chemical, synthetic-fiber, and pharmaceutical industries. More recently, the Group has acquired new clients who process coal, herbicides, and chlorine.

The Group is organized into three divisions. One serves the Western United States from Houston, Texas, while the other two cover the central and eastern portions of the nation from Greenville, South Carolina. During 1977, the Chemicals and Fibers Group received its first contract in California and established a permanent business-development office in Germany to maintain closer contact with European customers who want to site plants in the U.S.

Though its overall market has reflected the sluggishness in capital spending during the past three years, the Group has had a minimal erosion of its backlog.
Daniel is the constructor of a combined nuclear and pumped-storage power facility in South Carolina (above and front cover). The complex will generate 918 MW (nuclear) and 480 MW (hydro) of electric power. The latter consists of eight 60 MW hydro units (left foreground) that will go into service in 1978. Completion of the nuclear station (upper right) is scheduled for 1980. Many of the diverse and sophisticated construction techniques applied by Daniel (opposite page) on a broad-range of industrial projects are brought together on this kind of a job.

A. Hydro unit intake pipes.
B. Construction in progress on pumped-storage power house facility.
C. Reinforcement steel is tied to containment building.
D. Installation of nuclear steam generator weighing 340 tons.
E. Installation of 186 ton rotor for the 1,104,100 KVA electric generator.
F. Nuclear containment building has a diameter of 134 feet and is as tall as a 19 story structure.
G. Containment building will use 6,852 tons of rebar and 66,500 cubic yards of pretested concrete.
H. Lifting of 284 ton nuclear reactor vessel for installation.
I. Draft tube forms for pouring concrete were constructed on site.
Like other construction organizations at Daniel, the Chemical and Fibers Group has been placing increased emphasis on obtaining contracts that call for engineering as well as construction jobs. As a result, numerous design-and-construct jobs have been obtained.

Key new awards received by the Group in fiscal 1977 include: a pilot coal-liquefaction plant in Texas; a fiberglass plant in California; a herbicide facility in Alabama; a dyestuff and chemical manufacturing facility in South Carolina; and a petrochemicals plant in Texas and Louisiana.

During the year, Daniel completed a chemical facility in Alabama, a fine-chemicals plant in Georgia, a major expansion to a synthetic-fibers plant in South Carolina, and an intermediate-chemical plant in Arkansas.

**Industrial Group**

DCC's Industrial Group designs and builds a broad range of large, complex, industrial projects worldwide. In relation to other organizations in Daniel Construction Company, the Industrial Group executes contracts that do not fall within the Power or Chemical and Fibers groups and which are of too large a dollar magnitude to qualify for the Regional Group.

The Industrial Group is organized in three divisions: Manufacturing and Consumer Products; Pulp and Paper; and Heavy Industrial. Organized in 1972, the Group had 29 projects under contract during 1977.

During the year, the Group was awarded its first contract for an intermediate-pharmaceutical facility. In the Republic of Ireland, the Group was awarded a design-and-build contract to expand two pharmaceutical plants. In the Republic of Ireland, the Group was awarded a design-and-build contract to expand two pharmaceutical plants. In the Republic of Ireland, the Group was awarded a design-and-build contract to expand two pharmaceutical plants. In the Republic of Ireland, the Group was awarded a design-and-build contract to expand two pharmaceutical plants. In the Republic of Ireland, the Group was awarded a design-and-build contract to expand two pharmaceutical plants. In the Republic of Ireland, the Group was awarded a design-and-build contract to expand two pharmaceutical plants. In the Republic of Ireland, the Group was awarded a design-and-build contract to expand two pharmaceutical plants. In the Republic of Ireland, the Group was awarded a design-and-build contract to expand two pharmaceutical plants. In the Republic of Ireland, the Group was awarded a design-and-build contract to expand two pharmaceutical plants. In the Republic of Ireland, the Group was awarded a design-and-build contract to expand two pharmaceutical plants.

The Group has its own Maintenance and Mechanical operation, largely centered in the Caribbean, where it employs over 1,000 people full-time. This activity has grown dramatically from four percent of the Group’s profits in 1976 to more than 40 percent in 1977.

Daniel has two contracts in Saudi Arabia. One is a small project involving construction management on a housing project at the University of Petroleum and Minerals at Dhahran. The company also shares co-construction management of the new JFK International Airport with the Ralph M. Parsons Company. This will be the largest airport in the world, covering 40 square miles and requiring more than 1.6 million cubic yards of concrete. The airport, which will become operational in 1980, will be completed in 1982.

During the year, the International Group received contracts to design and build a cooking-gum facility in Puerto Rico and to expand two pharmaceutical plants. In the Republic of Ireland, the Group was awarded a design-build contract for an intermediate-chemical plant.

Completions included: engineering and construction of two pharmaceutical plants in Puerto Rico; construction of a herbicide plant in Belgium; a synthetic fibers plant in Ireland; and two pharmaceutical-plant expansions in Puerto Rico.

**Maintenance and Mechanical Group**

The Maintenance and Mechanical Group (M & M) of Daniel Construction Company performs equipment installations, provides skilled maintenance personnel on an on-going basis, and assists in plant start-ups, staffing, and relocation.

Fiscal 1977 was the most profitable year in M & M's 50-year history. The strength of the organization rests on on-going contracted services that provide a steady base of income. During 1977, M & M had 60 projects in 12 states that called for from one to 500 employees each. Organized on a regional basis, the Group currently has six offices located throughout the Southeast and in Texas.

New orders reached a record level for M & M in fiscal year 1977, with an increase in new business of 6 percent over 1976. A major new award during the year was for maintenance of an oil refinery in Mississippi, the first such job obtained by the Group. Other major awards included contract maintenance for an electronics plant in Texas. It is the fifth plant being served by M & M for the same client. Another award was received from an automobile tire manufacturer to maintain a plant built by Daniel Construction Company.

By year end, M & M had made significant progress on the development of an on-line computer maintenance program. The new system allows M & M to track maintenance calls and brings together into one network, purchasing, planning, scheduling, and storage.

**Regional Group**

Through five offices in the Southeast and one at Little Rock, Arkansas, DCC's Regional Group executes construction contracts ranging from $40,000 to over $20 million. The Group operates in areas where it can develop the reputation for being a strong local contractor. In fiscal 1977, the Group had some 50 projects in progress.

Sluggish capital commitments affected the Regional Group during the year. New awards included aluminum-processing and semi-conductor plants. Completions during the year included plants for the publishing, pharmaceutical, chemical, and X-ray film industries.

**Daniel Industrial Services**

Daniel Industrial Services (DIS) is the other operating organization of Daniel International Corporation. Created early in 1977 to consolidate non-construction activities, DIS is a diverse group of companies that account for more than 60 percent of the Corporation's total permanent employee population.

The largest of these companies is Applied Engineering Company (APCO), Orangeburg, South Carolina. The company — which markets throughout Asia, Europe, and the Western Hemisphere — employs almost 500 people and maintains six offices in the United States and one in Brussels, Belgium.

APCO primarily designs, fabricates and installs gas-processing facilities, including propane and liquefied-natural-gas (LNG) standby and peak-shaving units. APCO is also engaged in the design and construction of systems for hydrocarbon flare-abatement and heat-recovery systems for a wide range of industrial applications.

Applied's revenues for the year were at a record level, and profit more than doubled through a surge in work in the LNG and propane markets during the year's exceptionally severe winter. Profits were also increased by work in South America to provide modules for a gas transmission line and an increase in orders for the fabrication of nuclear components.

Activities of other DIS companies during the year included the opening of three Freightliner truck distribution centers in the Southeast and Southwest by Golden Inc., a full-service lessor to industry of tractors and trailers.

Daniel Realty Corporation sold a major shopping center in Alabama during the year. The company holds for development and sale properties with a net book value of $21 million.

A fourth DIS firm, American Equipment Company, continued to expand its equipment-construction and tool-service distributionships. The company also services all of DCC's construction-equipment needs.
Following are the highlights of Fluor’s other operations during fiscal 1977. The five-year totals in this section do not reflect elimination of transactions between Fluor’s various entities for work performed, revenues, new orders, or backlog.

Process Plant Engineering and Construction


**Work Performed**

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<tbody>
<tr>
<td>Revenues</td>
<td>$2,864,014</td>
<td>$3,051,020</td>
<td>$4,895,242</td>
<td>$651,004</td>
<td>$377,059</td>
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<td>New Orders</td>
<td>1,922,045</td>
<td>1,499,521</td>
<td>968,665</td>
<td>510,123</td>
<td>215,178</td>
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<tr>
<td>Earnings Before Taxes</td>
<td>750</td>
<td>760</td>
<td>760</td>
<td>760</td>
<td>760</td>
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<tr>
<td>Backlog, Year End</td>
<td>$8,158,083</td>
<td>$8,564,888</td>
<td>$8,459,253</td>
<td>$8,385,316</td>
<td>$1,241,614</td>
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<tr>
<td>Manpower</td>
<td>12,053</td>
<td>26,353</td>
<td>11,577</td>
<td>4,879</td>
<td>5,571</td>
</tr>
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Fluor Engineers and Constructors, Inc. (Fluor E&C), posted record earnings for fiscal 1977 and completed the largest job in its history during the year. Two other projects with a combined value in excess of $1 billion commenced construction.

The subsidiary started the year by consolidating personnel from six locations in Los Angeles and Orange counties into its new Southern California Division at Irvine, California. While U.S. manpower remained essentially flat, Fluor E&C’s international offices added almost 600 people.

Ending backlog fell short of the record level achieved in the year. Two projects with a combined value in excess of $1 billion commenced construction.

Also completed during the year were: a $200 Million expansion of facilities for the in-situ leaching of uranium ores to produce yellowcake in the United States; construction of a $400 Million fertilizer complex for Namhae Chemical Corporation, in the Republic of Korea; and a $500 Million fertilizer plant for Yonil, Korea, for Namhae Chemical Corporation.

**Mining/Metals Engineering and Construction**


**Work Performed**

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<tr>
<td>Revenues</td>
<td>$46,042</td>
<td>85,895</td>
<td>127,899</td>
<td>112,870</td>
<td>88,386</td>
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<td>New Orders</td>
<td>107,815</td>
<td>26,954</td>
<td>446,504</td>
<td>514,132</td>
<td>45,816</td>
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<tr>
<td>Backlog, Year End</td>
<td>$127,756</td>
<td>$131,565</td>
<td>$497,618</td>
<td>$374,758</td>
<td>$100,106</td>
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<tr>
<td>Manpower</td>
<td>989</td>
<td>1,766</td>
<td>4,956</td>
<td>1,220</td>
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In January 1978, Fluor Utah, Inc., changed its name to Fluor Mining & Metals, Inc. (FMM). The company suffered a dearth of new orders because of persisting price weaknesses for commodities in the mining and metals industries. This adversely affected revenues and earnings. Shortly after the close of the fiscal year, however, it received a $2 million, first-phase contract from the Corporation Del Cobre de Chile to perform general engineering for the expansion of National's Chuquicamata copper concentrator in Chile. The completed expansion will have an installed value of about $50 million.

Continuing projects include work on SAOSIL I, the massive coal-liquefaction complex in South Africa where FMM is providing engineering, procurement, and construction of ash-handling and catalyst-preparation facilities and management of wet-screening and coal-handling operations. Furthermore, the company is performing basic engineering and supervising detailed engineering and construction for uranium mining and processing facility in Yugoslavia.

Completion during the year included: managing the engineering and procurement of a copper-production expansion in Arizona; engineering, procurement, and construction management of coal-mining and production facilities at the Coober Pedy Mine in Wyoming; and engineering and procurement in Texas of an expansion of facilities for the in-situ leaching of uranium ores to produce yellowcake.

**Gas/Liquid Recovery and Transportation**

In Alaska, oil is moved 800 miles to the Valdez Terminal by mainline pumps installed by Fluor.

In Trinidad and the other at Woodward, Oklahoma.

This $1 billion terminal at Valdez, Alaska, was completed by Fluor. Complex has 18 massive storage tanks.

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In Alaska, oil is moved 800 miles to the Valdez Terminal by mainline pumps installed by Fluor.
Throughout the world, Fluor Engineers and Constructors is involved in the building of major facilities associated with the processing of energy resources (above and opposite page). At Berri, Saudi Arabia, Fluor completed a gas-treatment center (above) for Arabian American Oil Company as part of a $1 billion complex to treat one billion cubic feet of gas per day.

A Natural-gas-liquids extraction and treatment facility at Berri, Saudi Arabia.

B A major phase of the gas-gathering program at Ju’aymah, Saudi Arabia.

C Building of a 200,000 barrels per day refinery at Esfahan, Iran.

D Chemical complex on the Mississippi River near Taft, Louisiana.

E Coal-conversion facility GASOL II in South Africa.

F Fluor Ocean Services designed and managed construction of crude-oil terminal at Ju’aymah.

G Water-purification plant constructed at Carrum, Australia.

H The world’s largest grassroots fertilizer plant at Yosu, Korea.

I Heavy-wall steel sections of a vessel are aligned for field welding at Esfahan.
An important event for Fluor Pioneer during the year was approval by the U.S. Nuclear Regulatory Commission of a Fluor Pioneer standard-plant design. This design can reduce the completion schedule of conventional-sized nuclear plants by as much as two years, saving up to $100 million. Currently, it takes about 10 years to bring a nuclear plant into service because of stringent regulatory requirements.

A major new award for the company was for a contract to design, engineer, procure, and construct a 45 megawatt (MW) geothermal electric power plant at Heber, California. Floor Pioneer will perform the work in conjunction with Floor E&C. Pending final government approval, Fluor Pioneer was also authorized to proceed with limited engineering and design for the first 550 MW unit of an eventual four-unit coal-fired power plant in Kentucky. When completed, the plant will have a 2,200 MW capacity. In California, the company has substantially completed engineering and design work on an oil-fired 300 MW power plant.

Three small awards for nuclear plants in the Midwest were for the construction of designs that meet nuclear plant security provisions. During the year, Fluor Pioneer completed engineering on a 4.5 MW coal-fired power plant and continued design on a 5.3 MW unit for a client in Kentucky.

Fluor Pioneer standard-plant design. This design can reduce the completion schedule of conventional-sized nuclear plants by as much as two years, saving up to $100 million. Currently, it takes about 10 years to bring a nuclear plant into service because of stringent regulatory requirements.

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low capital expenditures stemming from a lack of a national energy policy, severe restrictions on oil drilling in California and heavy competition.

During 1977, Republic purchased the 50,000 square-foot headquarters facility it occupies in Compton, California. Seventy-five thousand square feet is office space. Republic's revenues and earnings, which are expected to stabilize in 1978, should again turn upward in 1979.

**Oil and Gas Operations**


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<td><strong>Revenues</strong></td>
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<td>$24,225</td>
<td>$17,493</td>
<td>$4,412</td>
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<td><strong>Earnings (Loss)</strong></td>
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<td>$1,277</td>
<td>$2,170</td>
<td>$35</td>
<td>-35</td>
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<tr>
<td><strong>Manpower</strong></td>
<td>25</td>
<td>23</td>
<td>23</td>
<td>22</td>
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Fluor Oil and Gas Corporation posted record earnings and revenues for the year as a result of peak production in Irian Jaya, Indonesia, and the Mills Ranch gas field, Wheeler County, Texas, where Fluor has a 10 percent and an approximate 14 percent interest, respectively. Total net domestic production for the year was 248,000 barrels of oil and 12,4 billion cubic feet of gas. Net foreign production for the year was 1,173,000 barrels of oil. For the year, domestic oil-and-gas operations provided 72 percent of total net income.

Mills Ranch net production of 7,7 billion cubic feet of gas for the year will decline in 1978, but it is expected that the field will go into production in about three years at a rate in excess of 10,000 barrels per day. Fluor is a 14 percent participant in the Prinos Field.


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<th>Work Performed</th>
<th>$1,970</th>
<th>$2,748</th>
<th>$5,646</th>
<th>$2,013</th>
<th>$131</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>1,970</td>
<td>2,748</td>
<td>5,646</td>
<td>2,013</td>
<td>131</td>
</tr>
<tr>
<td>Less: Before Taxes</td>
<td>(153)</td>
<td>(235)</td>
<td>(415)</td>
<td>(49)</td>
<td>(407)</td>
</tr>
<tr>
<td>New Orders</td>
<td>1,816</td>
<td>1,279</td>
<td>5,035</td>
<td>4,063</td>
<td>39</td>
</tr>
<tr>
<td><strong>Backlog, Year End</strong></td>
<td>$221</td>
<td>$1,277</td>
<td>$2,170</td>
<td>$35</td>
<td>-35</td>
</tr>
</tbody>
</table>

Deep Oil Technology, Inc. (DOT), signed two major agreements during the year for its tension-leg platform (TLP) design. TLP uses tension cables rather than fixed legs to control vertical and horizontal motions in deep-water drilling and production. The first is a collaboration agreement under which Scott Lithgow, Ltd., of Scotland has exclusive rights in the United Kingdom to manufacture and market the platform. The second agreement is with Japan's Mitsui Engineering and Shipbuilding Co., Ltd., for the exclusive manufacture and marketing of the TLP in Southeast Asia.

Development also continued during the year on an experimental subsea production station in the Gourdin Oil Field off the coast of Africa. The work, being performed for Societe Nationale EDF Aquitaine, the French national oil company, is to develop the capability of economically operating oil-drilling equipment in water depths down to 3,000 feet.

**Corporate**

At year-end, construction on Fluor Corporation's International Headquarters building at Irvine, California, was completed. The 10 story structure is occupied by some 600 employees from the headquarters staffs of Fluor Corporation, Fluor Engineers and Constructors, Inc., and Fluor Drilling Services, Inc.

The Lake Point Tower apartment complex in Chicago, in United Kingdom waters, the initial well on Block 16/13 was completed. The 10 story structure is occupied by some 600 employees from the headquarters staffs of Fluor Corporation, Fluor Engineers and Constructors, Inc., and Fluor Drilling Services, Inc.

At year-end, construction on Fluor Corporation's International Headquarters building at Irvine, California, was completed. The 10 story structure is occupied by some 600 employees from the headquarters staffs of Fluor Corporation, Fluor Engineers and Constructors, Inc., and Fluor Drilling Services, Inc.

At the end of the year, Fluor Oil and Gas Corporation announced a $5 million profit on the sale of Two Mile Shoal structure to Tenneco, Inc. Fluor's profit is $334,000 of the total net income.

**Engineering and Construction**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Gas Processing</strong></td>
<td>5,202</td>
<td>4,157</td>
<td>5,075</td>
<td>5,778</td>
<td>4,336</td>
</tr>
<tr>
<td><strong>Power</strong></td>
<td>5,054</td>
<td>23,900</td>
<td>19</td>
<td>2</td>
<td>19</td>
</tr>
<tr>
<td><strong>Solid Fuels</strong></td>
<td>1,779</td>
<td>13,9</td>
<td>2,300</td>
<td>26,3</td>
<td>1,136</td>
</tr>
<tr>
<td><strong>Chemical/Petrochemical</strong></td>
<td>907</td>
<td>7,1</td>
<td>451</td>
<td>5,2</td>
<td>705</td>
</tr>
<tr>
<td><strong>Petroleum</strong></td>
<td>518</td>
<td>4,1</td>
<td>846</td>
<td>9,7</td>
<td>2,167</td>
</tr>
<tr>
<td><strong>Paper</strong></td>
<td>216</td>
<td>1.7</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Mining/Metals</strong></td>
<td>153</td>
<td>1.2</td>
<td>46</td>
<td>5</td>
<td>307</td>
</tr>
<tr>
<td><strong>General Industrial</strong></td>
<td>85</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Pharmaceutical</strong></td>
<td>41</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Commercial/Institutional</strong></td>
<td>43</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Offshore</strong></td>
<td>5</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Diving</strong></td>
<td>46</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td>30</td>
<td>1.1</td>
<td>17</td>
<td>2</td>
<td>7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>12,759</td>
<td>100.0</td>
<td>8,751</td>
<td>100.0</td>
<td>9,088</td>
</tr>
</tbody>
</table>

**United States**

4,842 37.9 598 6.8 1,790 19.7 2,673 60.1 615 44.4

**Outside U.S.**

7,917 62.1 8,153 93.2 7,258 80.5 1,773 39.9 768 55.6

**Total**

12,759 100.0 8,751 100.0 9,088 100.0 4,446 100.0 1,353 100.0

**Backlog by Industry and Location**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Engineering and Construction</strong></td>
<td>51%</td>
<td>61%</td>
<td>56%</td>
<td>41%</td>
<td>17%</td>
</tr>
</tbody>
</table>

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

**Backlog includes owners' costs of approximately**


The above backlog information is detailed by industry and location, it does not necessarily relate to the backlog information shown in the Operations Report which is detailed by major operating unit.

**New Orders**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1.58</td>
<td>2.70</td>
<td>4.45</td>
<td>5.90</td>
<td>8.77</td>
</tr>
<tr>
<td>3.97</td>
<td>5.31</td>
<td>4.75</td>
<td>6.95</td>
<td>7.23</td>
</tr>
<tr>
<td>2.83</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>
Financial Review

Major Accounting Policies

Principles of Consolidation
The financial statements include the accounts of the company and all its subsidiaries. All significant intercompany transactions are eliminated. The equity method of accounting is used for investments in corporate joint ventures and for investments in companies where ownership ranges from 20% to 50%.

Engineering and Construction Contracts
The company recognizes revenues on engineering and construction contracts on the percentage-of-completion method, primarily based on contract costs incurred to date compared with total estimated costs. A subsidiary, acquired during the year, recognizes revenues on the construction of power plants on the percentage-of-completion method, primarily based on man-hours incurred to date compared with total estimated man-hours. Changes to total estimated contract costs and losses, if any, are recognized in the period they are determined. Revenues recognized in excess of amounts billed are classified as current assets under contract work in progress. It is anticipated that the incurred cost associated with contract work in progress at October 31, 1977, will be realized and collected in 1978.

Inventories
Inventories are stated at the lower of cost (average and first-in, first-out methods) or net realizable value. Inventories are stated at the lower of cost (average and first-in, first-out methods) or net realizable value.

Acquisitions
Effective May 31, 1977, the company acquired, in a purchase transaction, approximately 99% of the outstanding common stock of Daniel International Corporation, primarily a general building contractor engaged in industrial and utility, commercial and institutional construction, with headquarters in the Southeastern United States. The purchase price was $18,126,000, of which $16,855,000 was allocated to excess of cost over net assets of acquired companies and which excess is being amortized over a 40-year period. Certain estimates were made at October 31, 1977, as to the allocation of the purchase price to certain assets of Daniel International Corporation which may require future adjustments to the amount allocated to excess of cost over net assets of acquired companies. The potential adjustment would not have a material effect on the financial statements. The results of Daniel's operations are included in the consolidated statement of earnings from the date of its acquisition by the company. The following table summarizes the unaudited results of consolidated operations on a pro-forma basis as though Daniel had been acquired at November 1, 1975.

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenues</th>
<th>Net Earnings</th>
<th>Earnings per Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>1977</td>
<td>$2,592,025,000</td>
<td>$76,650,000</td>
<td>$4.45</td>
</tr>
<tr>
<td>1976</td>
<td>$2,806,974,000</td>
<td>$58,500,000</td>
<td>$4.10</td>
</tr>
</tbody>
</table>

Credit Arrangements
At October 31, 1977, the company had lines of credit with 20 banks from which it may borrow up to a maximum of $56,700,000 on a short-term basis. Borrowings under these lines of credit would bear interest at the prime rate for domestic borrowings and up to 1 1/2% above the London Interbank Offered Rate for foreign borrowings. During 1977, the maximum aggregate amount of short-term borrowings at any month-end was $13,542,000, and the average aggregate borrowings outstanding during the year were $12,828,000. The weighted average interest rate was 6.9% on dollar outstanding balances. During 1976, borrowings under lines of credit were not material.

Long-Term Debt
Long-term debt at October 31, 1977 and 1976 consists of the following:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1977</td>
<td>$1,151,000</td>
</tr>
<tr>
<td>1976</td>
<td>$900,000</td>
</tr>
</tbody>
</table>

Interest-bearing notes payable, including interest, through January 2005:

- 8.5% mortgage notes - secured by buildings and improvements, with a net book value of approximately $11,400,000 at October 31, 1977, due in monthly installments of $81,000 including interest, through October 31, 1977:
  - $10,000,000
  - Other notes and mortgages: $5,534,000

Total long-term debt: $37,979,000
Less current portions: $1,986,000
Total long-term debt due after one year: $35,993,000

Maturities relating to long-term debt during the next five years are as follows:

<table>
<thead>
<tr>
<th>Year ending October 31</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1978</td>
<td>$1,386,000</td>
</tr>
<tr>
<td>1979</td>
<td>$1,209,000</td>
</tr>
<tr>
<td>1980</td>
<td>$1,151,000</td>
</tr>
<tr>
<td>1981</td>
<td>$6,562,000</td>
</tr>
<tr>
<td>1982</td>
<td>$6,800,000</td>
</tr>
</tbody>
</table>

Working Funds

Working funds are current assets less current liabilities excluding current deferred income taxes. Generally accepted accounting principles require, under the operating cycle concept, that current deferred income taxes be classified as current liabilities which reduces working capital even though no portion of that liability will be paid in the succeeding period. Working funds, therefore, reflect the funds that the company currently has available.

Working funds provided from operations reflect the addition of the increase in current deferred income taxes to working capital provided from operations.

Accounting for Foreign Subsidiaries
Considered financial information of the combined foreign subsidiaries, which are located principally in Europe, Australia, and the Middle East, follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Current assets</th>
<th>Current liabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>1977</td>
<td>$19,113,000</td>
<td>$21,306,000</td>
</tr>
<tr>
<td>1976</td>
<td>$18,902,000</td>
<td>$22,354,000</td>
</tr>
</tbody>
</table>

Working Funds

Working funds are current assets less current liabilities excluding current deferred income taxes. Generally accepted accounting principles require, under the operating cycle concept, that current deferred income taxes be classified as current liabilities which reduces working capital even though no portion of that liability will be paid in the succeeding period. Working funds, therefore, reflect the funds that the company currently has available.

Working funds provided from operations reflect the addition of the increase in current deferred income taxes to working capital provided from operations.

Credit Arrangements
At October 31, 1977, the company had lines of credit with 20 banks from which it may borrow up to a maximum of $56,700,000 on a short-term basis. Borrowings under these lines of credit would bear interest at the prime rate for domestic borrowings and up to 1 1/2% above the London Interbank Offered Rate for foreign borrowings. During 1977, the maximum aggregate amount of short-term borrowings at any month-end was $13,542,000, and the average aggregate borrowings outstanding during the year were $12,828,000. The weighted average interest rate was 6.9% on dollar outstanding balances. During 1976, borrowings under lines of credit were not material.

Long-Term Debt

Long-term debt at October 31, 1977 and 1976 consists of the following:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
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</tr>
<tr>
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<td>$900,000</td>
</tr>
</tbody>
</table>

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- 8.5% mortgage notes - secured by buildings and improvements, with a net book value of approximately $11,400,000 at October 31, 1977, due in monthly installments of $81,000 including interest, through October 31, 1977:
  - $10,000,000
  - Other notes and mortgages: $5,534,000

Total long-term debt: $37,979,000
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<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
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<td>$1,209,000</td>
</tr>
<tr>
<td>1980</td>
<td>$1,151,000</td>
</tr>
<tr>
<td>1981</td>
<td>$6,562,000</td>
</tr>
<tr>
<td>1982</td>
<td>$6,800,000</td>
</tr>
</tbody>
</table>
Deferred income taxes have been provided for timing differences as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>1977</th>
<th>1976</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current tax expense</td>
<td>$4,161,000</td>
<td>$4,161,000</td>
</tr>
<tr>
<td>Deferred tax expense</td>
<td>$4,067,000</td>
<td>$4,055,000</td>
</tr>
<tr>
<td>The balance of deferred income taxes is estimated to be payable as follows:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1977</td>
<td>$60,592,000</td>
<td></td>
</tr>
<tr>
<td>1980</td>
<td>$60,592,000</td>
<td></td>
</tr>
<tr>
<td>1981</td>
<td>$60,070,000</td>
<td></td>
</tr>
<tr>
<td>Thereafter</td>
<td>$98,349,000</td>
<td></td>
</tr>
</tbody>
</table>

### Stock Options

The company has two stock option plans, the 1971 Fluor Stock Option Plan and the 1977 Floor Executive Stock Plan, under which various officers and key employees hold options or awards as of October 31, 1977.

#### 1971 Floor Stock Option Plan

This plan, as approved by the shareholders, provides for grants of qualified and nonqualified options at prices equal to the fair market value at date of grant. The options are generally exercisable one year after issuance and expire five years after date of grant for qualified options and 10 years after date of grant for nonqualified options. Under this plan, 1,097,506 shares were authorized for grant and 2,835 shares were available for grant at October 31, 1977. At October 31, 1977 options were outstanding under this plan to purchase 518,851 shares of common stock at prices ranging from $12.90 to $42.19 per share with a weighted average price of $28.09.

In accordance with the terms of this plan, holders of nonqualified options have the right to receive the excess of the option price thereof in cash or stock in lieu of exercising their options. If an employee becomes permanently disabled, the stock can only be sold for the lesser of the exercise price or fair market value. If an employee dies, any unexercised options held by the employee will automatically vest as of the date of death. Nonqualified options expire 10 years after date of grant. At October 31, 1977, 56,429 options were outstanding under this plan.

#### 1977 Floor Executive Stock Plan

This plan, as approved by the shareholders on March 14, 1977, provides for grants of the right to purchase shares of common stock under both nonqualified stock option agreements (options) and restricted stock purchase agreements (awards). The number of shares of common stock which may be issued or sold under this plan may not exceed 700,000 shares, but no more than 250,000 shares may be awarded as restricted stock. At October 31, 1977, 538,500 shares were available for grant under this plan.

The options are generally exercisable one year after issuance at a price equal to the fair market value at date of grant and expire 10 years after date of grant. At October 31, 1977, options to purchase 64,500 shares of common stock at prices ranging from $39.31 to $39.31 per share with a weighted average price of $40.21 were outstanding under this plan.

Upon issuance of an award, various officers and key employees may purchase restricted stock of the company for $1.00 per share. Until either the retirement, death or permanent disability of the recipient, the stock can only be sold back to the company at $1.00 per share. For such shares awarded, the difference between $1.00 and the fair market value of the shares at date of the award is charged to shareholders' equity as unamortized 1977 executive stock plan expense and amortized over the period of time from date of the award to the estimated date of retirement for each recipient. Total awards of 97,000 shares were granted during the year, all of which shares are outstanding as of October 31, 1977.

Total amortization for 1977 relating to these awards was $593,000.

#### Fiscal 1977 and 1976 stock option transactions under both plans are summarized as follows:

<table>
<thead>
<tr>
<th>Common Shares Under Option</th>
<th>1977</th>
<th>1976</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance, November 1</td>
<td>57,695</td>
<td>51,095</td>
</tr>
<tr>
<td>Exercised</td>
<td>(162,034)</td>
<td>(196,538)</td>
</tr>
<tr>
<td>Expired</td>
<td>(3,600)</td>
<td>(13,095)</td>
</tr>
<tr>
<td>Granted</td>
<td>111,200</td>
<td>133,000</td>
</tr>
<tr>
<td>Balance, October 31</td>
<td>57,695</td>
<td>57,695</td>
</tr>
<tr>
<td>Exercisable at October 31</td>
<td>46,094</td>
<td>46,094</td>
</tr>
</tbody>
</table>

#### Preferred Stock

Each Series B Preferred share is entitled to one vote, cumulative as to dividends, and is convertible into 2.4 shares of common stock, for which 1,279,087 shares of common stock have been reserved. Annual dividends of $5.00 per share have been paid or declared to September 30, 1977. Each share is redeemable at the discretion of the company at $103 per share, plus accrued dividends. Upon liquidation, preferred shareholders are entitled to $100 per share plus accrued dividends which are payable out of capital or surplus of any nature.
Replacement Cost Information — Unaudited

The company's annual report on Form 10-K as filed with the Securities and Exchange Commission (a copy of which is available upon request) contains unaudited information on year-end 1977 replacement costs of inventories and certain productive capacity, as well as the approximate effect that replacement costs would have had on the computation of cost of revenues and depreciation expense for the year.

The information disclosed has been compiled in a reasonable manner and represents the approximate replacement costs of the specific items called for by the Securities and Exchange Commission. Nevertheless, the information should be viewed as experimental and partial, inasmuch as it does not include all of the effects of inflation or other economic, competitive, social, or regulatory factors that influence the decisions and operations of a worldwide corporation.

The estimated values are based on certain assumptions and subjective judgments necessary to support a hypothetical replacement of facilities at year-end 1977.

It is emphasized that the replacement values and other information disclosed should not be interpreted to indicate that the company has present plans to replace such facilities, or that replacement would take place in the manner assumed in developing the estimates, or that the replacement costs represent additional book value of the company's stock or the current values of the disclosed items. Rather, the information represents the estimated cost of replacing certain facilities at October 31, 1977.

Quarterly Financial Data — Unaudited

The following is a summary of the unaudited quarterly results of operations for the year ended October 31, 1977.

Dollar amounts are in thousands, except per share amounts.

<table>
<thead>
<tr>
<th>Quarter</th>
<th>First</th>
<th>Second</th>
<th>Third</th>
<th>Fourth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>$407,991</td>
<td>$369,438</td>
<td>$345,245</td>
<td>$529,804</td>
</tr>
<tr>
<td>Cost of Revenues</td>
<td>$369,438</td>
<td>$345,245</td>
<td>$345,245</td>
<td>$574,961</td>
</tr>
<tr>
<td>Net Earnings</td>
<td>$17,495</td>
<td>$17,981</td>
<td>$20,471</td>
<td>$34,019</td>
</tr>
<tr>
<td>Earnings per Share</td>
<td>$1.04</td>
<td>$1.07</td>
<td>$1.21</td>
<td>$1.53</td>
</tr>
</tbody>
</table>

The following is a summary of the unaudited quarterly results of operations for the year ended December 9, 1977.

Dollar amounts are in thousands, except per share amounts.

<table>
<thead>
<tr>
<th>Quarter</th>
<th>First</th>
<th>Second</th>
<th>Third</th>
<th>Fourth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>$384,970</td>
<td>$369,438</td>
<td>$345,245</td>
<td>$529,804</td>
</tr>
<tr>
<td>Cost of Revenues</td>
<td>$369,438</td>
<td>$345,245</td>
<td>$345,245</td>
<td>$574,961</td>
</tr>
<tr>
<td>Net Earnings</td>
<td>$16,000</td>
<td>$17,981</td>
<td>$20,471</td>
<td>$34,019</td>
</tr>
<tr>
<td>Earnings per Share</td>
<td>$1.04</td>
<td>$1.07</td>
<td>$1.21</td>
<td>$1.53</td>
</tr>
</tbody>
</table>

Board of Directors and Shareholders

Fluor Corporation

We have examined the accompanying consolidated balance sheet of Fluor Corporation at October 31, 1977 and 1976, and the related consolidated statements of earnings, shareholders' equity and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We did not examine the consolidated financial statements of Daniel International Corporation, a consolidated subsidiary, which statements reflect total assets and revenues constituting 22% and 25%, respectively, of the related consolidated totals at and for the year ended October 31, 1977. These statements were examined by other independent auditors whose report thereon has been furnished to us. Our opinion expressed herein, insofar as it relates to the amounts included for Daniel International Corporation, is based solely upon the report of other independent auditors.

In our opinion, based upon our examinations and the report of other independent auditors, the statements mentioned above present fairly the consolidated financial position of Fluor Corporation at October 31, 1977 and 1976, and the consolidated results of operations and changes in financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis during the period.

Arthur Young & Company

Santa Ana, California

December 9, 1977

Report of Certified Public Accountants

Consolidated Statement of Earnings

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>$1,996,050,000</td>
<td>$1,801,761,000</td>
</tr>
<tr>
<td>Costs and Expenses</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost of revenues</td>
<td>$1,819,448,000</td>
<td>$1,750,822,000</td>
</tr>
<tr>
<td>Corporate administrative and general expenses</td>
<td>$23,078,000</td>
<td>$18,802,000</td>
</tr>
<tr>
<td>Interest expense</td>
<td>$3,791,000</td>
<td>$2,180,000</td>
</tr>
<tr>
<td>Interest income</td>
<td>$(9,458,000)</td>
<td>$(8,423,000)</td>
</tr>
<tr>
<td>Total costs and expenses</td>
<td>$3,838,864,000</td>
<td>$2,663,381,000</td>
</tr>
<tr>
<td>Earnings before Income Taxes</td>
<td>$157,186,000</td>
<td>$138,380,000</td>
</tr>
<tr>
<td>Income Taxes</td>
<td>$81,720,000</td>
<td>$73,509,000</td>
</tr>
<tr>
<td>Net Earnings</td>
<td>$75,466,000</td>
<td>$64,880,000</td>
</tr>
<tr>
<td>Earnings per Share</td>
<td>$4.48</td>
<td>$3.88</td>
</tr>
</tbody>
</table>

Consolidated Statement of Shareholders' Equity

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Series B Preferred Stock</td>
<td>$357,000</td>
<td>$357,000</td>
</tr>
<tr>
<td>Common Stock</td>
<td>$9,268,000</td>
<td>$9,268,000</td>
</tr>
<tr>
<td>Additional Capital</td>
<td>$216,665,000</td>
<td>$216,665,000</td>
</tr>
<tr>
<td>Retained Earnings</td>
<td>$117,748,000</td>
<td>$117,748,000</td>
</tr>
<tr>
<td>Unamortized 1977 Executive Stock Plan Expense</td>
<td>$—</td>
<td>$—</td>
</tr>
</tbody>
</table>

Balances at November 1, 1975

<table>
<thead>
<tr>
<th>Series B Preferred Stock</th>
<th>Common Stock</th>
<th>Additional Capital</th>
<th>Retained Earnings</th>
<th>Unamortized 1977 Executive Stock Plan Expense</th>
</tr>
</thead>
<tbody>
<tr>
<td>$357,000</td>
<td>$9,268,000</td>
<td>$216,665,000</td>
<td>$117,748,000</td>
<td>$—</td>
</tr>
<tr>
<td>Cash dividends on preferred ($) per share</td>
<td>$1,615,000</td>
<td>$1,615,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Conversion of preferred shares into common</td>
<td>$13,000</td>
<td>$13,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exercise of stock options</td>
<td>$120,387,000</td>
<td>$120,387,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balances at October 31, 1976</td>
<td>$548,000</td>
<td>$9,554,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net earnings</td>
<td>$75,466,000</td>
<td>$75,466,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash dividends on preferred ($) per share</td>
<td>$1,615,000</td>
<td>$1,615,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Conversion of preferred shares into common</td>
<td>$13,000</td>
<td>$13,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exercise of stock options</td>
<td>$120,387,000</td>
<td>$120,387,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balances at October 31, 1977</td>
<td>$555,000</td>
<td>$9,682,000</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

See Financial Review on pages 18, 19, 20, 21 and 22.
## Consolidated Balance Sheet

### ASSETS  
**October 31, 1977 and 1976**

<table>
<thead>
<tr>
<th>Description</th>
<th>1977</th>
<th>1976</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>$33,766,000</td>
<td>$7,685,000</td>
</tr>
<tr>
<td>Short-term investments — at cost, which approximates market</td>
<td>82,228,000</td>
<td>157,665,000</td>
</tr>
<tr>
<td>Accounts and notes receivable</td>
<td>110,637,000</td>
<td>98,107,000</td>
</tr>
<tr>
<td>Contract work in progress</td>
<td>157,459,000</td>
<td>106,647,000</td>
</tr>
<tr>
<td>Inventories</td>
<td>41,974,000</td>
<td>31,988,000</td>
</tr>
<tr>
<td>Other current assets</td>
<td>20,203,000</td>
<td>12,194,000</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>446,147,000</td>
<td>417,218,000</td>
</tr>
<tr>
<td><strong>Property, Plant and Equipment — at cost</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land</td>
<td>25,406,000</td>
<td>16,450,000</td>
</tr>
<tr>
<td>Buildings and improvements</td>
<td>144,568,000</td>
<td>92,839,000</td>
</tr>
<tr>
<td>Machinery and equipment</td>
<td>109,646,000</td>
<td>73,328,000</td>
</tr>
<tr>
<td>Drilling and marine equipment</td>
<td>143,535,000</td>
<td>101,720,000</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>9,508,000</td>
<td>47,244,000</td>
</tr>
<tr>
<td><strong>Less accumulated depreciation and amortization</strong></td>
<td>432,660,000</td>
<td>328,585,000</td>
</tr>
<tr>
<td><strong>Total property, plant and equipment — net</strong></td>
<td>337,116,000</td>
<td>247,574,000</td>
</tr>
<tr>
<td><strong>Oil and Gas Properties — at cost</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less accumulated depletion and depreciation</td>
<td>72,300,000</td>
<td>62,791,000</td>
</tr>
<tr>
<td><strong>Total oil and gas properties — net</strong></td>
<td>44,535,000</td>
<td>37,260,000</td>
</tr>
<tr>
<td><strong>Other Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Excess of cost over net assets of acquired companies, less accumulated amortization</td>
<td>116,910,000</td>
<td>15,040,000</td>
</tr>
<tr>
<td>Other</td>
<td>42,853,000</td>
<td>16,128,000</td>
</tr>
<tr>
<td><strong>Total other assets</strong></td>
<td>159,763,000</td>
<td>31,168,000</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>$970,793,000</td>
<td>$721,497,000</td>
</tr>
</tbody>
</table>

### LIABILITIES AND SHAREHOLDERS' EQUITY  
**1977**

<table>
<thead>
<tr>
<th>Description</th>
<th>1977</th>
<th>1976</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>$87,422,000</td>
<td>$93,997,000</td>
</tr>
<tr>
<td>Advance billings on contracts</td>
<td>158,819,000</td>
<td>122,933,000</td>
</tr>
<tr>
<td>Accrued liabilities</td>
<td>135,807,000</td>
<td>75,144,000</td>
</tr>
<tr>
<td>Current portion of long-term debt</td>
<td>1,266,000</td>
<td>1,332,000</td>
</tr>
<tr>
<td>Income taxes currently payable</td>
<td>33,799,000</td>
<td>24,871,000</td>
</tr>
<tr>
<td>Current liabilities excluding deferred income taxes</td>
<td>420,130,000</td>
<td>516,479,000</td>
</tr>
<tr>
<td>Deferred income taxes</td>
<td>98,549,000</td>
<td>77,953,000</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td>518,475,000</td>
<td>594,412,000</td>
</tr>
<tr>
<td><strong>Long-Term Debt Due After One Year</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred income taxes</td>
<td>29,480,000</td>
<td>9,235,000</td>
</tr>
<tr>
<td>Other</td>
<td>24,180,000</td>
<td>12,982,000</td>
</tr>
<tr>
<td><strong>Total other noncurrent liabilities</strong></td>
<td>53,660,000</td>
<td>22,217,000</td>
</tr>
<tr>
<td><strong>Contingencies and Commitments</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Shareholders' Equity</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital Stock</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Preferred — authorized 1,000,000 shares without par value</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Series B issued and outstanding in 1977 — 532,953 shares (liquidation preference $53,955,000)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Common — authorized 40,000,000 shares of $6.25 par value, issued and outstanding in 1977 — 15,401,534 shares — and in 1976 — 15,286,429 shares</td>
<td>535,000</td>
<td>548,000</td>
</tr>
<tr>
<td><strong>Common stock and surplus</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total shareholders’ equity</strong></td>
<td>$563,137,000</td>
<td>$300,812,000</td>
</tr>
</tbody>
</table>

See Financial Review on pages 18, 19, 20, 21 and 22.
FLUOR CORPORATION

Consolidated Statement of Changes in Financial Position

Years ended October 31, 1977 and 1976

Sources of Working Funds

<table>
<thead>
<tr>
<th>Source of Working Funds</th>
<th>1977</th>
<th>1976</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net earnings</td>
<td>$75,466,000</td>
<td>$64,880,000</td>
</tr>
<tr>
<td>Charges (credits) to earnings not affecting working capital</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Depreciation, depletion, amortization and dry-hole writeoffs</td>
<td>38,513,000</td>
<td>41,767,000</td>
</tr>
<tr>
<td>Increase (decrease) in noncurrent deferred income taxes</td>
<td>20,251,000</td>
<td>(2,388,000)</td>
</tr>
<tr>
<td>Other</td>
<td>8,282,000</td>
<td>3,820,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>142,512,000</strong></td>
<td><strong>108,075,000</strong></td>
</tr>
</tbody>
</table>

Working capital provided from operations

<table>
<thead>
<tr>
<th>Source of Working Funds</th>
<th>1977</th>
<th>1976</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase in noncurrent deferred income taxes</td>
<td>20,416,000</td>
<td>162,928,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>213,600,000</strong></td>
<td><strong>210,943,000</strong></td>
</tr>
</tbody>
</table>

Dispositions of Working Funds

<table>
<thead>
<tr>
<th>Disposition of Working Funds</th>
<th>1977</th>
<th>1976</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquisition of Daniel International Corporation</td>
<td>$64,005,000</td>
<td>-</td>
</tr>
<tr>
<td>Excess of cost over net assets of acquired company</td>
<td>103,855,000</td>
<td>-</td>
</tr>
<tr>
<td>Other assets — net</td>
<td>4,305,000</td>
<td>-</td>
</tr>
<tr>
<td>Additions to property, plant, equipment and oil and gas properties</td>
<td>75,831,000</td>
<td>116,869,000</td>
</tr>
<tr>
<td>Reduction of long-term debt</td>
<td>2,914,000</td>
<td>186,000</td>
</tr>
<tr>
<td>Investment in Peabody Holding Company</td>
<td>20,289,000</td>
<td>-</td>
</tr>
<tr>
<td>Cash dividends paid</td>
<td>17,012,000</td>
<td>12,305,000</td>
</tr>
<tr>
<td>Other</td>
<td>122,000</td>
<td>6,415,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>288,331,000</strong></td>
<td><strong>153,773,000</strong></td>
</tr>
</tbody>
</table>

Changes in Components of Working Funds

<table>
<thead>
<tr>
<th>Component of Working Funds</th>
<th>1977</th>
<th>1976</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current assets — increase (decrease)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Cash</td>
<td>$26,141,000</td>
<td>$2,513,000</td>
</tr>
<tr>
<td>Short-term investments</td>
<td>(75,435,000)</td>
<td>56,353,000</td>
</tr>
<tr>
<td>Accounts and notes receivable</td>
<td>12,530,000</td>
<td>7,581,000</td>
</tr>
<tr>
<td>Contract work in progress</td>
<td>47,793,000</td>
<td>43,902,000</td>
</tr>
<tr>
<td>Inventories</td>
<td>9,892,000</td>
<td>1,977,000</td>
</tr>
<tr>
<td>Other current assets</td>
<td>8,009,000</td>
<td>4,443,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100,739,000</strong></td>
<td><strong>14,769,000</strong></td>
</tr>
</tbody>
</table>

Current liabilities — (increase) decrease

<table>
<thead>
<tr>
<th>Component of Working Funds</th>
<th>1977</th>
<th>1976</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable</td>
<td>6,375,000</td>
<td>(27,947,000)</td>
</tr>
<tr>
<td>Advance billings on contracts</td>
<td>(33,884,000)</td>
<td>(53,853,000)</td>
</tr>
<tr>
<td>Accrued liabilities</td>
<td>(65,663,000)</td>
<td>(15,055,000)</td>
</tr>
<tr>
<td>Current portion of long-term debt</td>
<td>246,000</td>
<td>(157,000)</td>
</tr>
<tr>
<td>Income taxes currently payable</td>
<td>(8,915,000)</td>
<td>24,000</td>
</tr>
<tr>
<td>Deferred income taxes</td>
<td>(20,416,000)</td>
<td>(28,343,000)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>(125,311,000)</strong></td>
<td><strong>(13,574,000)</strong></td>
</tr>
</tbody>
</table>

Decrease in Working Capital

<table>
<thead>
<tr>
<th>Component of Working Funds</th>
<th>1977</th>
<th>1976</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net decrease in working capital</td>
<td>(28,343,000)</td>
<td>(125,311,000)</td>
</tr>
</tbody>
</table>

Increase (Decrease) in Working Funds

<table>
<thead>
<tr>
<th>Increase (Decrease)</th>
<th>1977</th>
<th>1976</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase (Decrease) in working capital</td>
<td>$(74,722,000)</td>
<td>$(14,769,000)</td>
</tr>
</tbody>
</table>

Working Funds

<table>
<thead>
<tr>
<th>Component of Working Funds</th>
<th>1977</th>
<th>1976</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning of year</td>
<td>$100,739,000</td>
<td>$85,970,000</td>
</tr>
<tr>
<td>Increase (decrease)</td>
<td>$(74,722,000)</td>
<td>$(14,769,000)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>26,017,000</strong></td>
<td><strong>100,739,000</strong></td>
</tr>
</tbody>
</table>

Working Funds at End of Year

<table>
<thead>
<tr>
<th>Component of Working Funds</th>
<th>1977</th>
<th>1976</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net increase in working capital</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>26,017,000</strong></td>
<td><strong>100,739,000</strong></td>
</tr>
</tbody>
</table>

See Financial Review on pages 18, 19, 20, 21 and 22.
### Summary of Consolidated Operations

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenues</th>
<th>Costs and Expenses</th>
<th>Earnings before Income Taxes</th>
<th>Income Taxes</th>
<th>Earnings per Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>1977</td>
<td>$1,996,050</td>
<td>$1,801,761</td>
<td>$1,525,243</td>
<td>$801,322</td>
<td>$423,520</td>
</tr>
<tr>
<td>1978</td>
<td>$2,052,498</td>
<td>$1,940,775</td>
<td>$1,897,440</td>
<td>$880,275</td>
<td>$418,370</td>
</tr>
<tr>
<td>1979</td>
<td>$2,105,757</td>
<td>$1,886,171</td>
<td>$1,850,917</td>
<td>$832,877</td>
<td>$416,870</td>
</tr>
<tr>
<td>1980</td>
<td>$2,145,923</td>
<td>$1,918,738</td>
<td>$1,872,011</td>
<td>$901,275</td>
<td>$412,870</td>
</tr>
<tr>
<td>1981</td>
<td>$2,105,243</td>
<td>$1,886,171</td>
<td>$1,850,917</td>
<td>$832,877</td>
<td>$416,870</td>
</tr>
</tbody>
</table>

Management's Discussion and Analysis of the Summary of Consolidated Operations

1977 compared with 1976

Effective May 31, 1977, the company acquired, in a purchase transaction, approximately 99% of the outstanding common stock of Daniel International Corporation (Daniel), primarily a general building contractor engaged in industrial, utility, commercial and institutional construction, headquartered in the southeastern United States. Daniel's operations from that date have been included in the consolidated results of the company for the year ended October 31, 1977. The table (right) eliminates the impact of Daniel's operations, which include amortization of the excess of cost over net assets acquired and depreciation of additions to plant, property and equipment, resulting from appraisal valuations under Accounting Principles Board Opinion No. 16.

The following discussion and analysis relates to the consolidated information after elimination of Daniel amounts for 1977.

Revenues decreased $293,040,000, or 16%. Revenues from our engineering and construction subsidiaries include the cost of material purchased for our clients as well as fees earned. Fees are received for all services rendered, including a fee earned on costs paid directly by the client when Fluor has provided procurement and other services. In any one period, revenues can be affected by the mix between contracts requiring Fluor to purchase materials and those on which the customer furnishes materials. The decrease in 1977 revenues results primarily from such a change in the mix of contracts. The company completed work on contracts that required Fluor to purchase the majority of materials, while new contracts beginning during the year contained larger amounts of customer furnished materials. Also contributing to the decrease in revenues was lower utilization of drilling rigs working in international waters. These decreases were offset by increased revenues from our oil and gas subsidiary as a result of higher volume and prices of oil and gas products.

Cost of revenues decreased $290,398,000, or 15%. The decrease resulted from completion of contracts as outlined above as well as decreases in nonproduction explanatory costs in our oil and gas subsidiary.

Corporate administrative and general expenses decreased $590,000, or 3%. This decrease reflects the effect of the provision for estimated compensation expense related to certain stock options issued under our stock option plan approved by the shareholders on March 13, 1972. In 1975, this item increased administrative and general expenses by $1,828,000, whereas, in 1976, it decreased administrative and general expenses by $1,507,000. This item is subject to the fluctuations in the market price of Fluor common stock. This reduction in expense in 1976 was offset by increased expenses in the cost of doing business principally an increase of $1,882,000 related to salaries and employee benefits.

Interest income increased $4,858,000, or 28%, primarily due to increases in cash available for short-term investments. Earnings before income taxes increased $18,540,000, or 39%. This increase results from the increased levels of activities within engineering and construction, as well as oil and gas; however, decreases within our drilling services and supply services companies reduced the impact of our engineering and construction operations.

The provision for income taxes (including the effect of Daniel for 5 months ended October 31, 1977) as a percentage of earnings before taxes decreased from 53.1% to 52%. The decrease results from higher investment tax credits and capital gain benefits, as well as a reduction in the expense associated with foreign oil and gas operations. These reductions in the provision for income taxes were partially offset by increases in taxes on undistributed earnings of foreign subsidiaries and nondeductible costs associated with the Daniel acquisition.

1976 compared with 1975

From the record levels achieved in 1975, revenues increased $276,338,000, or 36%. This increase was principally due to Fluor Engineers and Constructors, Inc., our largest subsidiary, and reflects higher levels of activities at major jobsites around the world, primarily in Iran and Saudia Arabia. This increase was partly offset by the decrease in oil and gas operations as a result of decreases in both volume and the price of U.S. natural gas. Cost of revenues increased $395,440,000, or 56%, primarily as a result of increased work within major engineering and construction contract locations.

Corporate administrative and general expenses decreased $590,000, or 3%. This decrease reflects the effect of the provision for estimated compensation expense related to certain stock options issued under our stock option plan approved by the shareholders on March 13, 1972. In 1975, this item increased administrative and general expenses by $1,828,000; whereas, in 1976, it decreased administrative and general expenses by $1,507,000. This item is subject to the fluctuations in the market price of Fluor common stock. This reduction in expense in 1976 was offset by increased expenses in the cost of doing business principally an increase of $1,882,000 related to salaries and employee benefits.

Interest income increased $4,858,000, or 28%, primarily due to increases in cash available for short-term investments. Earnings before income taxes increased $18,540,000, or 39%. This increase results from the increased levels of activities within engineering and construction, as well as oil and gas; however, decreases within our drilling services and supply services companies reduced the impact of our engineering and construction operations.

The provision for income taxes (including the effect of Daniel for the 5 months ended October 31, 1975) as a percentage of earnings before taxes decreased from 53.1% to 52%, largely due to a reduction in investment tax credits for 1976, as compared with those for 1975. This increase, however, was partially offset by decreases in both volume and the price of U.S. natural gas. The U.S. tax benefit from such costs was severely limited by the Tax Reduction Act of 1975.
### Dollar amounts are in thousands

#### Engineering and Construction

**Process-plant**
- 1977: $1,242,645
- 1976: $1,499,221
- 1975: $908,665
- 1974: $510,123
- 1973: $215,178

**Minerals and metals**
- 1977: $46,042
- 1976: $83,895
- 1975: $127,899
- 1974: $112,870
- 1973: $88,386

**Power-plant**
- 1977: $20,561
- 1976: $18,425
- 1975: $24,874
- 1974: $7,503
- 1973: —

**Offshore**
- 1977: $38,487
- 1976: $66,556
- 1975: $14,281
- 1974: $20,705
- 1973: $21,537

**Daniel**
- 1977: $487,293
- 1976: —
- 1975: —
- 1974: —
- 1973: —

**Oil and gas operations**
- 1977: $43,287
- 1976: $33,152
- 1975: $24,225
- 1974: $17,493
- 1973: $21,880

**Drilling services**
- 1977: $13,427
- 1976: $16,556
- 1975: $14,281
- 1974: $20,750
- 1973: $21,537

**Supply services**
- 1977: $120,069
- 1976: $115,360
- 1975: $120,495
- 1974: $111,685
- 1973: $64,749

**Other**
- 1977: $1,970
- 1976: $4,686
- 1975: $7,735
- 1974: $4,865
- 1973: $2,696

**Intergroup revenues**
- 1977: $20,755
- 1976: $30,312
- 1975: $19,375
- 1974: $19,755
- 1973: $5,605

#### Total Revenues
- 1977: $1,996,050
- 1976: $1,801,761
- 1975: $801,322
- 1974: $423,520
- 1973: $1,325,423

#### Earnings Before Income Taxes and Corporate Charges

**Process-plant**
- 1977: $130,449
- 1976: $125,508
- 1975: $73,906
- 1974: $59,916
- 1973: $25,582

**Minerals and metals**
- 1977: $1,007
- 1976: $3,628
- 1975: $9,323
- 1974: $5,967
- 1973: $55

**Power-plant**
- 1977: $1,631
- 1976: $42
- 1975: $808
- 1974: $796
- 1973: —

**Offshore**
- 1977: $2,113
- 1976: $517
- 1975: $1,244
- 1974: $1,220
- 1973: $1,102

**Daniel**
- 1977: $9,494
- 1976: —
- 1975: —
- 1974: —
- 1973: —

**Oil and gas operations**
- 1977: $2,191
- 1976: $3,769
- 1975: $1,481
- 1974: $1,868
- 1973: $218

**Drilling services**
- 1977: $2,621
- 1976: $12,262
- 1975: $18,444
- 1974: $10,364
- 1973: $8,306

**Supply services**
- 1977: $9,912
- 1976: $9,982
- 1975: $16,845
- 1974: $17,036
- 1973: $5,214

**Other**
- 1977: $1,536
- 1976: $1,158
- 1975: $2,359
- 1974: $3,905
- 1973: ($4,457)

**Total Earnings Before Income Taxes and Corporate Charges**
- 1977: $180,264
- 1976: $157,182
- 1975: $119,232
- 1974: $79,403
- 1973: $34,110

#### Financial Statements

**Shareholders’ Equity**
- 1977: $384,048
- 1976: $304,868
- 1975: $248,561
- 1974: $209,688
- 1973: $166,509

**Total Capitalization**
- 1977: $398,648
- 1976: $304,868
- 1975: $248,561
- 1974: $209,688
- 1973: $166,509

**Statistics**
- Percent of total capitalization
  - Long-term debt: 19.4%
  - Shareholders’ equity: 90.6%
  - Shareholders’ equity per common share: $19.87

#### Stock Price and Dividend Data for Fiscal 1977-1976

<table>
<thead>
<tr>
<th>Year</th>
<th>High</th>
<th>Low</th>
<th>Dividend High</th>
<th>Dividend Low</th>
</tr>
</thead>
<tbody>
<tr>
<td>1977</td>
<td>High</td>
<td>Low</td>
<td>Dividend High</td>
<td>Dividend Low</td>
</tr>
<tr>
<td>First Quarter</td>
<td>38 1/2</td>
<td>32 1/2</td>
<td>$ .25</td>
<td>$ .15</td>
</tr>
<tr>
<td>Second Quarter</td>
<td>38 1/2</td>
<td>32 1/2</td>
<td>$ .25</td>
<td>$ .15</td>
</tr>
<tr>
<td>Third Quarter</td>
<td>43 1/2</td>
<td>37 1/2</td>
<td>$ .25</td>
<td>$ .15</td>
</tr>
<tr>
<td>Fourth Quarter</td>
<td>42 1/2</td>
<td>35 1/2</td>
<td>$ .25</td>
<td>$ .15</td>
</tr>
</tbody>
</table>

**Fluor Corporation**

**Operations by Lines of Business**

**Five-Year Financial Highlights**

**Financial Position**

- Current assets: $446,147
- Long-term debt: 9.4%
- Shareholders’ equity: 90.6%
- Shareholders’ equity per common share: $19.87

**Equity and Capitalization**

- Common: $533,053
- Preferred: $1,970
- Total: $535,023

**Debt, Depletion, Amortization and Dry-hole Writeoffs**

- Total: $38,513

**Funds Provided from Operations**

- Total: $162,928

**New Orders Received during Year**

- Total: $2,826,573

**Statistics**

- Number of employees: 16,305

**Shareholder Reference**

- Total shareholders: 21,744

**Auditors**

- Arthur Young & Company

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**Form 10-K**

A copy of the detailed Form 10-K annual report, which is filed with the Securities and Exchange Commission, is available upon request. Write to: Vice President and Controller, Fluor Corporation 3335 Michelson Drive, Irvine, California 92750

**Registrars and Transfer Agents**

- Security Pacific National Bank
- The Chase Manhattan Bank
- The Northern Trust Company

**Auditors**

- Arthur Young & Company
Directors and Officers

Chairman of the Board, Chief Executive Officer and President (1946)
Buck Mickel

Vice Chairman of the Board (1965)
J. Robert Fluor

Retired, Honorary Vice Chairman of the Board (1969)
Thomas P. Pike

President of Fluor Engineers and Constructors, Inc. (1977)
Charles N. Cannon

Vice Chairman of the Board of Daniel International Corporation (1977)
William I. McKay

Retired, former President (1956)
Ross A. McClintock

Vice President — Law and Tax and Secretary (1973)
Richard D. Paul

Advisor to the Board of Managing Directors of Ptolema, Helder & Ptolema, investment and commercial bankers (1964)
Sibrand Jurriaans

Senior Vice President and President of Fluor Drilling Services, Inc. (1969)
James L. Tathwell

Group Vice President — International Operations of Fluor Engineers and Constructors, Inc. (1977)
David S. Tappan, Jr.

Senior Vice President — Finance (1974)
William L. McKay

Chairman of the Board of Daniel International Corporation (1977)
George W. Mefford

Group Vice President — Western Hemisphere of Fluor Engineers and Constructors, Inc. (1967)
Ernest Moncrief

Partner of Morgan, Lewis & Bockius, attorneys (1962)
Loren K. Olson

President of Kilsby Tubesupply Company (1969)
John K. Pike

Group Vice President — Marketing of Fluor Engineers and Constructors, Inc. (1971)
Arthur C. Sheffield

Group Vice President (1966)
James L. Tathwell

President of Texas Crude, Inc., oil and gas property management (1969)
Charles W. Cox

Executive Officers

Chairman of the Board, Chief Executive Officer and President (1946)
Buck Mickel

Vice Chairman of the Board (1952)
J. Robert Fluor

Group Vice President (1951)
David S. Tappan, Jr.

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

Finance

Senior Vice President — Finance (1974)
George W. Mefford

Vice President — Insurance and Risk Management (1977)
John L. Atkinson

Vice President and Controller (1968)
Richard D. Paul

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

Treasurer (1975)
David R. Copley

Law and Tax

Vice President — Law and Tax and Secretary (1956)
Richard B. Humbert

General Counsel (1967)
Nad A. Peterson

Administration

Vice President — Administration (1945)
Jay L. Reed

Vice President — Public Relations (1957)
Paul H. Etter

Vice President — Corporate Relations (1971)
Thomas C. Elick

Directors (1)(2)
John K. Pike, President
Loren K. Olson(4)

Member of Executive Committee.
Member of Audit Committee.
Member of Compensation Committee.

32. Principal Subsidiaries and Divisions

PETROLEUM, PETROCHEMICAL AND CHEMICAL FACILITIES:

Fluor Engineers and Constructors, Inc. 3333 Michelson Drive Irvine, California 92730

Daniel International Corporation

Daniel Building 301 North Main Street Greenville, South Carolina 29602

Daniel Industrial Services

Patrick A. Randolph, President

Daniel Exploration Co.

234 Loyola Avenue

Ross A. McClintock, President

Irvine, California 92730

Daniel Drilling Services, Inc.

John G. W. Urbahns, Managing Director

Fluor Australia Pty. Limited

26 Finsbury Square

Buck Mickel, Chairman

Irvine, California 92730

3333 Michelson Drive

Charles W. Cox, Vice Chairman

Fluor Mining & Metals, Inc.

3333 Michelson Drive

Buck Mickel, Chairman

301 North Main Street

H. Thomas Lorne, Senior Vice President

Irvine, California 92730

Daniel Building

3333 Michelson Drive

Vice President Sales: Russia, Canada, and Latin America; Technology Development; Project Management

Western Hemisphere Division:

Ernest Moncrief, Group Vice President — Western Hemisphere

Southern California Division

Group Vice President — Marketing of Fluor Engineers and Constructors, Inc. (1971)

Senior Vice President: John P. Carpenter

Daniel International Corporation

Group Vice President

Edward A. Law, Jr., President

Daniel Industrial Services

President and Chief Operating Officer: Greg W. Rohr

Edward E. Horton, President

President Sales: Europe, Middle East, and Africa

William C. Breen

Senior Vice President and General Manager: William C. Breen

Hawkins Division

4620 North Branswood Blvd.

Senior Vice President: Robert F. Woidneck

Utah Division

Senior Vice President: John A. Davis

Vice President and General Manager

Flower Canada Ltd.

6712 Fisher Street S.E.

President: Lyman O. Calkins

Calgary, Alberta, Canada T2E 8A7

International Division:

William L. McKay, Group Vice President — International Operations

Flower Engineering Inc.

11 Stanford Gate

William 1. McKay, Group Vice President

London, W1V 5LJ, England

Senior Vice President: John L. Atkinson

President: Ronald W. Wrenn

Flower (Great Britain) Limited

26 Finsbury Square

President: Harold W. Sorensen

London, EC2A 2EJ, England

Managing Director: John Crooke

Flower (Greater Britain) Limited

Peel House, Peel Street, Eccles

President: Donald W. Donley, Chairman

Manchester, M30 3NA, England

Managing Director: John G. W. Urbahns, Managing Director

Marine and Offshore Facilities:

Flower Ocean Services, Inc.

6220 Hillock Avenue

President: Pat H. Moe, President

Houston, Texas 77092

ELECTRIC POWER GENERATING FACILITIES:

Flower Power Inc.

320 West Monroe Street

President: Michael H. Rosenthal, President

Chicago, Illinois 60606

Contract Drilling Services:

Flower Drilling Services, Inc.

3333 Michelson Drive

Irvine, California 92730

Ross A. McClintock, President

John A. Sage, Senior Vice President

Western Offshore Drilling and Exploration Co.

3333 Michelson Drive

Irvine, California 92730

Senior Vice President: Robert F. Woodneck

Cord Drilling Division

312 De Mountaine Building

214 Loyola Avenue

New Orleans, Louisiana 70112

Senior Vice President: John P. Carpenter

Supply Services:

The Republic Supply Company of California

201-205 South Soto St. Avenue

Compton, California 90221

Edward A. Law, Jr., President

Kilby Tubesupply Company

9520 Telstar Avenue

El Monte, California 91731

President: Donald W. Donley, Chairman

Oil and Gas Operations:

Flower Oil and Gas Corporation

1600 Broadway

Denver, Colorado 80202

Joseph S. Bowman, President

Underwater Completion Systems:

Deep Oil Technology, Inc.

1286 Windham Avenue

Long Beach, California 90802

Edward F. Houston, President

(1) Years in parentheses indicate the year each Director was elected to the Board or the year each Officer joined the Corporation.

(2) Member of Executive Committee.

(3) Member of Audit Committee.

(4) Member of Compensation Committee.