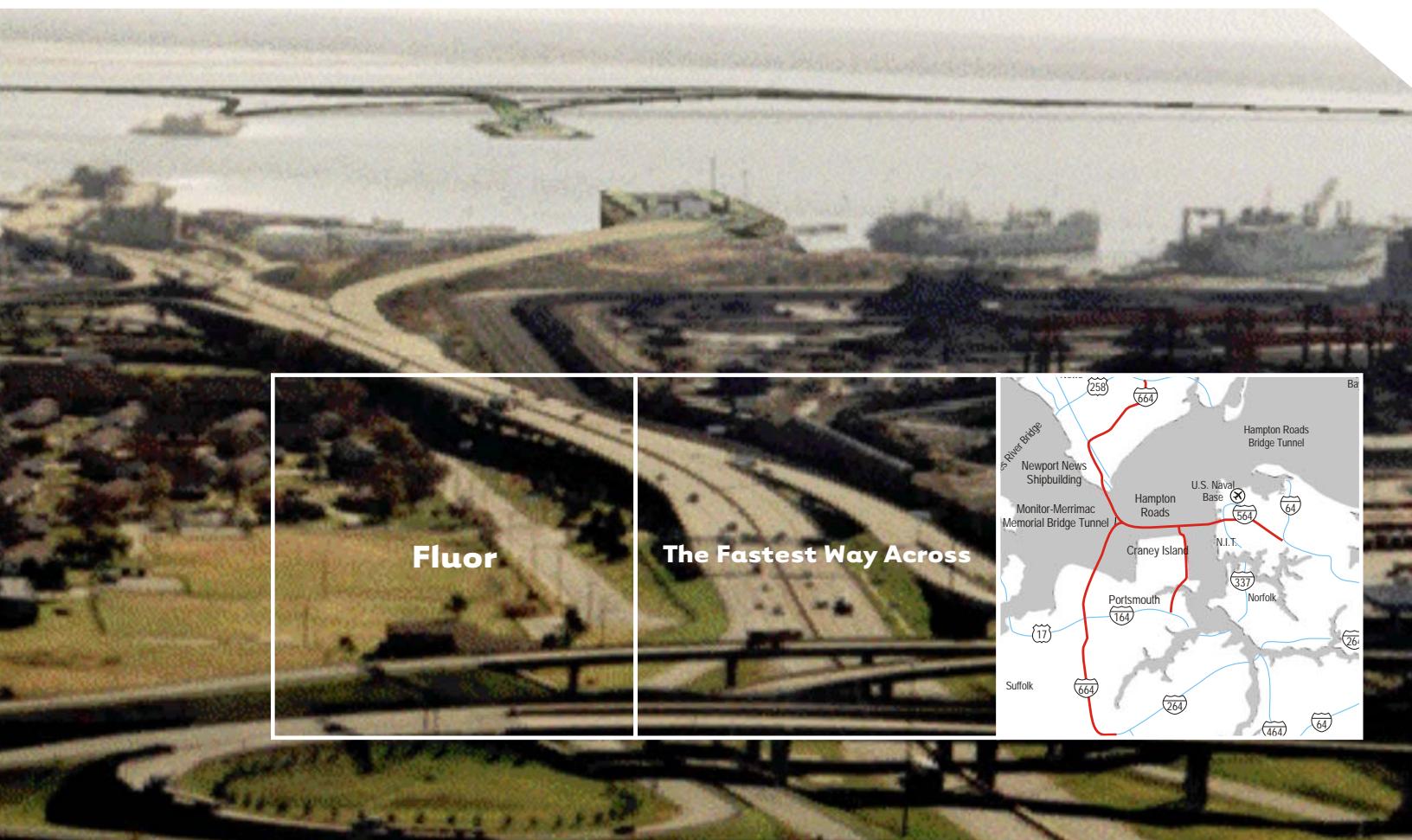


October 8, 2004

**Third Hampton Roads Crossing
Conceptual Proposal
Virginia Public-Private Transportation Act**



FLUOR®

Conceptual Proposal
to



for the

Third Hampton Roads Crossing

Submitted by

Fluor Virginia, Inc.

1101 Wilson Boulevard, Suite 1900
Arlington, Virginia 22209

in association with

- American Bridge Company
- Michael Baker Jr., Inc.
- Bear, Stearns & Co. Inc.
- Branch Highways, Inc.
- Bouygues Travaux Publics
- E.V. Williams Inc.
- HNTB Corporation
- Hatch Mott MacDonald
- High-Point Rendel
- Kemper Consulting
- Kimley-Horn and Associates
- McLean Contracting Company
- Research/Strategy/Management, Inc.
- Vollmer Associates, LLP
- Williams Mullen

Authorized Person: Herb Morgan
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October 8, 2004

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October 8, 2004

Mr. Malcolm T. Kerley, P.E.
Chief Engineer for Program Development
Virginia Department of Transportation
1401 East Broad Street
Richmond, Virginia 23219

Dear Mr. Kerley:

Third Hampton Roads Crossing Conceptual Proposal – A New Crossing

Fluor Virginia, Inc., (Fluor) offers this conceptual proposal for the development, financing, design, and construction of the Third Hampton Roads Crossing project. This proposal is in response to the public notice published in *Engineering News-Record* August 9, 2004, requesting responses by October 8, 2004. The following document has been prepared in accordance with the Public-Private Transportation Act of 1995.

Enclosed is a cashier's check for \$10,000 along with 20 copies of the written proposal and one CD containing a PDF format of this submittal suitable for posting on your Web site. Copies of this proposal are being delivered to all local jurisdictions in the corridor affected by this proposal.

The Fluor team appreciates the opportunity to present a plan that will help ease Tidewater's regional congestion problem. To encourage free and open discussion on this important regional facility, Fluor has not requested that any of its proposal be kept confidential. It is our hope that the public's right to know will also apply to all other proposals received.

Sincerely,

A handwritten signature in black ink, appearing to read "Herbert W. Morgan".

Herbert W. Morgan
Project Director

Enclosure

Mr. Malcolm T. Kerley, P.E.

Page 2

October 8, 2004

cc: The Honorable Ross A. Kearney, II, Mayor, City of Hampton
Mr. George E. Wallace, City Manager, City of Hampton
The Honorable Joe S. Frank, Mayor, City of Newport News
Mr. Edgar E. Maroney, City Manager, City of Newport News
The Honorable Jeanne Zeidler, Mayor, City of Williamsburg
Mr. Jackson C. Tuttle, II, City Manager, City of Williamsburg
The Honorable Gordon C. Helsel, Jr., Mayor, City of Poquoson
Mr. Charles W. Burgess, Jr., City Manager, City of Poquoson
The Honorable Bobby L. Ralph, Mayor, City of Suffolk
Mr. Robert "Steve" Herbert, City Manager, City of Suffolk
The Honorable James W. Holley, III, Mayor, City of Portsmouth
Mr. James B. "Jim" Oliver, Jr., Interim City Manager, City of Portsmouth
The Honorable Paul D. Fraim, Mayor, City of Norfolk
Mrs. Regina V.K. Williams, City Manager, City of Norfolk
The Honorable Dalton S. Edge, Mayor, City of Chesapeake
Mr. Clarence V. Cuffee, City Manager, City of Chesapeake
The Honorable Meyera E. Oberndorf, Mayor, City of Virginia Beach
Mr. James K. Spore, City Manager, City of Virginia Beach
The Honorable Bruce C. Goodson, Board of Supervisors Chairman, James City County
Mr. Sanford B. Wanner, County Administrator, James City County
The Honorable Stan D. Clark, Board of Supervisors Chairman, Isle of Wight County
Mr. W. Douglas Caskey, County Administrator, Isle of Wight County
The Honorable Thomas G. Shepperd, Jr., Board of Supervisors Chairman, York County
Mr. James O. McReynolds, County Administrator, York County
The Honorable James B. Chapman, Mayor, Town of Smithfield
Mr. Peter M. Stephenson, Town Manager, Town of Smithfield
The Honorable Dallas O. Jones, Board of Supervisors Chairman, Southampton County
Mr. Michael W. Johnson, County Administrator, Southampton County
The Honorable Charles R. "Rick" Allen, Jr., Board of Supervisors Chairman,
Gloucester County
Mr. William H. Whitley, County Administrator, Gloucester County
The Honorable Reginald O. Harrison, Board of Supervisors Chairman, Surry County
Mr. Terry D. Lewis, County Administrator, Surry County
The Honorable James P. Councill, III, Mayor, City of Franklin
Mr. Rowland L. Taylor, City Manager, City of Franklin
The Honorable Louis R. Jones, Chairman, Hampton Roads Planning District Commission
Mr. Arthur L. Collins, Executive Director & Secretary, Hampton Roads Planning District
Commission

Executive Summary

Fluor is proposing to finance, design, and construct the Third Hampton Roads Crossing project. This conceptual proposal is consistent with VDOT's implementation guidelines for the Virginia Public-Private Transportation Act of 1995. Fluor's design team will be led by HNTB, which will serve as the engineer-of-record assisted by Hatch Mott MacDonald (tunnels) and Michael Baker (bridges and roads). Bouygues Travaux Publics (Bouygues) and High-Point Rendel (HPR) will be the team tunnel design-builder. The combined Fluor and Bouygues capabilities represent probably the largest construction entity in the world. Additional team construction support includes American Bridge and McLean (bridges), and Branch Highways (roads).

Project Description – The Third Hampton Roads Crossing project consists of two immersed tunnels, 20.7 kilometers (13 miles) of new limited-access highway, and the widening of 24 kilometers (15 miles) of existing interstate roadway. The tunnels will create a new road and transit link to Norfolk under the Elizabeth River and provide additional capacity for the existing Monitor-Merrimac Memorial Bridge Tunnel. Fluor's proposed concepts are consistent with VDOT's vision as outlined in the Third Hampton Roads Crossing Major Investment Study (MIS) and Final Environmental Impact Statement (FEIS).

Fluor's Proposal – Fluor will deliver the Third Hampton Roads Crossing project as described in the project FEIS and this \$3.2 billion construction project for \$1.2 billion less and up to five years faster than recent estimates. This approach will include taking responsibility for all aspects of the project — design permitting, construction, environmental mitigation, utilities relocation, and property acquisition — in a manner consistent with VDOT standards and practices. Fluor's price and schedule will be guaranteed. Fluor proposes to explore all options for financing the project. Fluor's Phase I (FEIS Segment 1) conceptual plan of finance provides scenarios ranging from full private financing to options that would require public investments from \$413 to \$693 million. The Fluor team will be an active partner in identifying and securing funding for Phase II (Segments 2 – 5).

Public Support – Fluor will maintain and strengthen the current Tidewater area consensus in support of this project. A proactive public participation program that anticipates the information needs of the citizens, businesses, and public officials will be part of Fluor's approach. Working with VDOT, a strategic communications plan, involvement

mechanism, and marketing plan will be included. The first step will be an in-depth survey of Tidewater citizens and elected officials to determine the optimal toll strategy.

Regional Transit Support – Completion of the Third Hampton Roads Crossing project without further demand on state resources could help facilitate the earlier funding and implementation of the planned regional rail rapid transit system.

DBE/MBE and Local Participation – Fluor's goal is to have a minimum of 10 percent of project participation by DBE/MBE firms. A mentoring/apprentice program will be an important element in Fluor's community outreach program to proactively assist DBE/MBE firms locate and train staff to ensure that the employment, training, and apprentice opportunities presented by this major project are made available to everyone.

Why Fluor? – The recently completed Pocahontas Parkway project is evidence of Fluor's ability to deliver what it promises. Using a single point of responsibility to develop, design, and construct innovative projects, Fluor has shown itself to be a leader in solving complex transportation challenges. Fluor is willing to share project risks, develop a workable solution financed by user fees, and involve the local and disadvantaged contractors as part of our team. In short, Fluor will be a reliable partner.

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Qualifications and Experience

1-a. ORGANIZATION

Identify the legal structure of the firm, or consortium of firms making the proposal. Identify the organizational structure for the project, the management approach and how each partner and major subcontractor in the structure fits into the overall team.

1-a.1 Legal Structure

Fluor Virginia, Inc., (Fluor) will be the contracting party in the comprehensive agreement with the Virginia Department of Transportation. Located in Arlington, Virginia, Fluor will use the expertise of numerous Virginia-based professionals while drawing upon the resources of its parent company, Fluor Corporation, when necessary. Fluor will provide VDOT with a single point of responsibility for project execution.

Having developed the Pocahontas Parkway (Route 895 Connector), Fluor is well known to VDOT as a firm that can be relied upon to get the job done. Fluor is the second largest design-build contractor in the United States. Fluor is a leader in the development and execution of public-private partnership projects and has proven it is a reliable PPTA performer in Virginia. Fluor can guarantee the successful delivery of a complex and challenging project such as the third crossing.

A number of legal frameworks are available to facilitate development of the Third Hampton Roads Crossing project. Fluor's suggested legal framework is to use an IRS 63-20 Corporation as issuer of nonrecourse project toll revenue bonds. As illustrated by the following Figure 1-a.1, a comprehensive agreement will be made between VDOT and Fluor. Under this framework, Fluor will assign the 63-20 Corporation the right to collect tolls. VDOT will authorize the issuance of toll revenue bonds by the 63-20 Corporation and be the owner of the facility at construction completion.

Tab 1: Qualifications and Experience

1-a. Organization

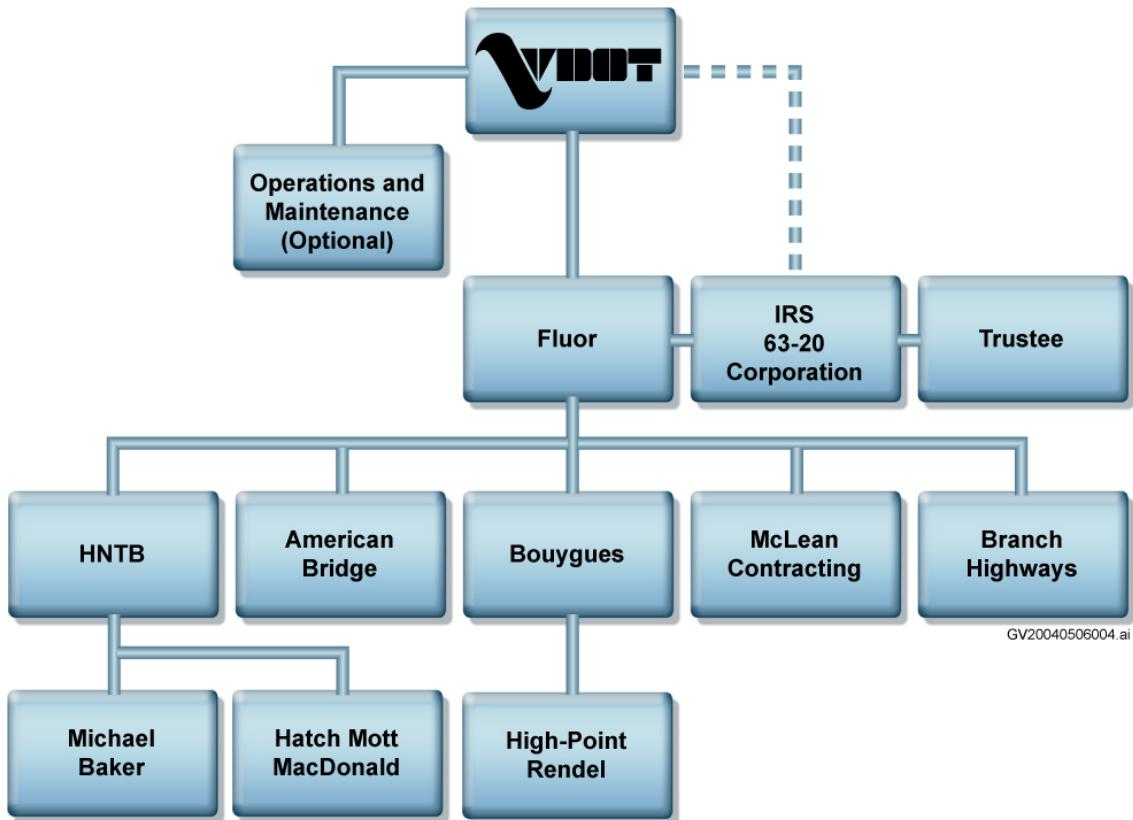


Figure 1-a.1 Legal Framework

Fluor will design and build the project including all toll facilities. Fluor will provide both optional toll and maintenance operations for a period of time to be agreed with VDOT. During construction, the trustee will make progress payments to Fluor as approved by VDOT.

1-a.2 Team Organization

Fluor working with VDOT has set the standard in Virginia for delivery of innovative transportation facilities through the development and construction of the Pocahontas Parkway (Route 895 Connector) project. Like on the 895 project, Fluor's approach includes an innovative financial arrangement and a very aggressive timetable for delivery of a completed third crossing. Fluor's 895 project proved that a major construction project can proceed at an accelerated pace without significant environmental impacts while involving a high percentage of local labor and firms.

Tab 1: Qualifications and Experience

1-a. Organization

Fluor will make the same commitment to bring these benefits and lessons learned to the Third Hampton Roads Crossing project. Fluor intends to offer the Commonwealth an aggressive and forward-looking financial package coupled with a project approach that minimizes the time between financial closure and making the new crossing available to the public. This coupling of financial innovation and aggressive management approach will allow VDOT to deliver the new crossing in the shortest possible timeframe.

The Fluor Team

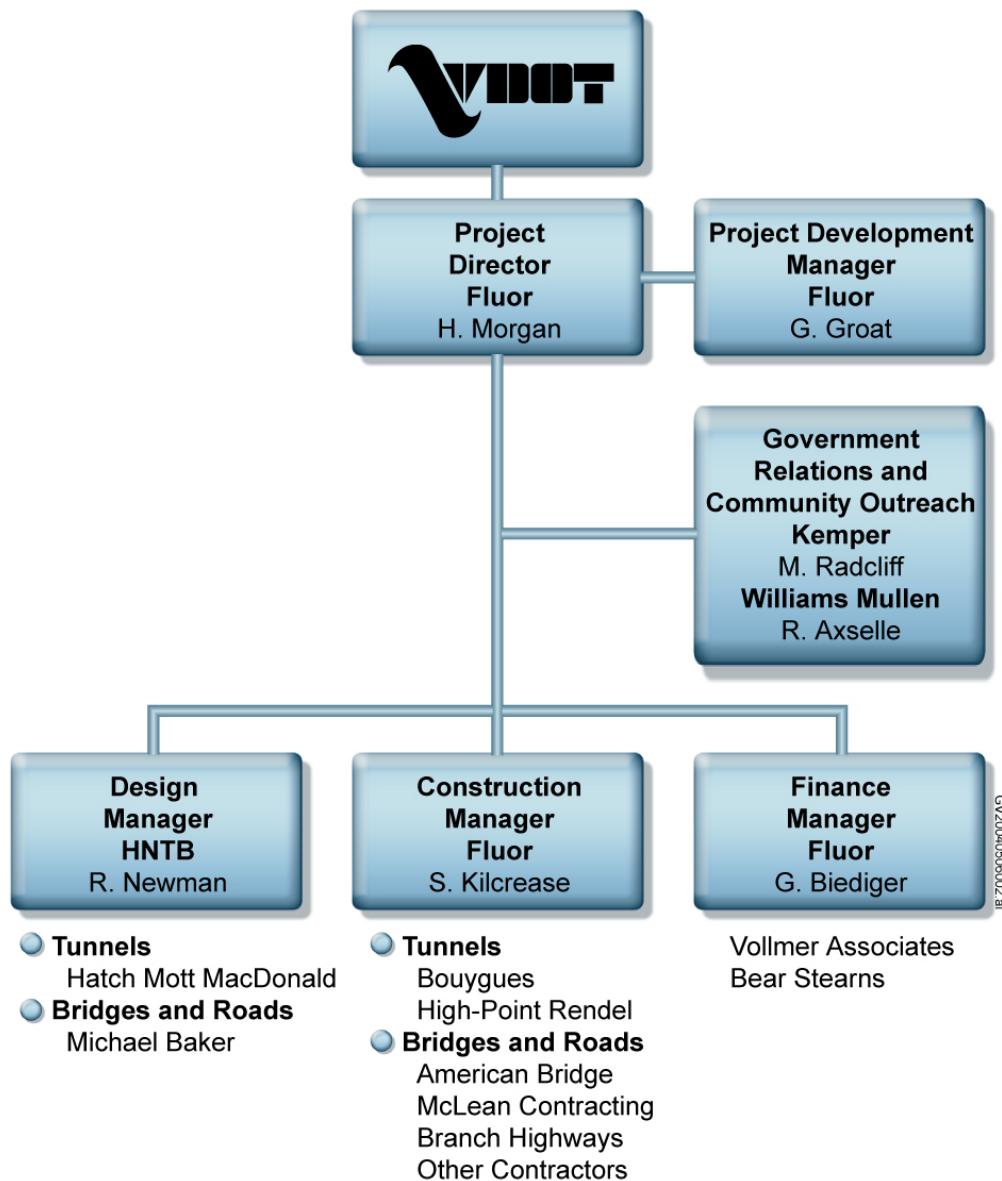


Figure 1-a.2-1 Project Team Organization

The Fluor team is a fully integrated organization that will develop, finance, and execute this complex project. The organization illustrated in Figure 1-a.2-1 will benefit from the core of experienced Fluor professionals who have “done it before with VDOT” eliminating the PPTA learning curve and allowing more time to focus on the timely development of the project. After signing of the design-build agreement, the project team will shift its focus to successful fast-track design and construction. Key Fluor team leaders include:

Herb Morgan, Project Director – Having led the successful Route 895 project, Herb will direct the execution of this project. He is currently serving as project director on the ROC 52 design-build project in Rochester, Minnesota, and will be available to take on this challenging assignment.

Gary Groat, Project Development Manager – Assisting the project director during the development phase of the project, Gary will lead the development effort. The development project manager for two pending VDOT PPTA proposals, he will use his experience to fashion an innovative project financing and execution package to maintain a win-win approach for VDOT, the local Tidewater area governments, and the traveling public. This effort will assure VDOT the Third Hampton Roads Crossing project will be completed many years ahead of any proposed schedule.

Marianne Radcliff, John-Garrett Kemper, and Ralph “Bill” Axselle, Jr., Government Relations Advisers – With expertise in government relations and all facets of community outreach and intimate knowledge of the Hampton Roads area, Marianne and John-Garrett of Kemper Consulting will join Bill of Williams Mullen (WM), who worked with the Fluor-led joint venture during the development and successful financing of the Route 895 Connector, in establishing an effective public outreach program.

Steve Kilcrease, Construction Manager – Steve will bring his experience on large-scale infrastructure projects to the management of the construction of the tunnels, and bridges and roads for the successful delivery of the third crossing. Having 20 years of experience in the construction industry, he is currently the deputy project manager on the ROC 52 design-build project and was previously program manager on the \$1.4 billion JFK International Arrivals Terminal, of the largest public-private partnership projects in the United States.

Robert Newman, P.E., Design Manager – Robert has more than 40 years of experience and is the director of engineering for HNTB's Arlington, Virginia, office. With extensive experience in project management for VDOT, he has managed such major projects as the Springfield interchange, the extension of I-95 HOV lanes, the I-395/I-66 traffic management system, the bridge surveillance and control system for the existing Woodrow Wilson Bridge, and the traffic control system for the I-665 Monitor-Merrimac tunnel. His

design management experience will ensure a consistent, safe, and quality product for all elements of the third crossing.

Derek Penrice, P.E., Tunnel Design – Derek's 15 years of experience in engineering of major transportation infrastructure projects include 10 years of planning, design, inspection, and construction services for tunnels and underground structures. He will provide management oversight for all tunnel design activities. He brings to the design team his extensive experience in the planning, design, and construction of highly specialized concrete and steel immersed tube tunnels gained in Europe, the Far East, and North America, and significant experience in the design and construction of cut-and-cover tunnels, and support of excavation.

David Thompson, P.E., Bridge and Road Design – David has worked on Hampton Roads engineering projects for 24 years accruing in-depth knowledge of VDOT design processes, policies, and procedures. His extensive project experience includes bridges, marine structures, tunnel and transit programs, buildings, and site developments. He will be the lead design manager for the bridges and roadways included in the five segments of the proposed third crossing.

George Biediger, Finance Manager – George was a key leader in developing the Route 895 financial plan as well as providing ongoing oversight. He continues to serve on the board of directors of the Pocahontas Parkway Association, a nonprofit organization responsible for the project until bonds are retired. George will work with Fluor's underwriter **David Klings** (Bear Stearns), government relations and community outreach advisers (Kemper and WM), and VDOT to develop a workable financial plan.

Fluor is prepared to start many of the project work activities well in advance of execution of a comprehensive agreement ensuring the project will be successfully begun many months or years ahead of other proposed project schedules. The team Fluor has assembled is experienced in private-sector development of public transportation projects and in the execution of design-build projects. Member firms are ranked by *Engineering News-Record (ENR)* among the top in the design and construction industry. The most current ENR rankings for several of the Fluor team firms are summarized in the following Figure 1-a.2-2.

Tab 1: Qualifications and Experience

1-a. Organization



Figure 1-a.2-2 ENR Rankings

1-a.3 Management Approach

Fluor's project management approach entails completing the Third Hampton Roads Crossing project on schedule and within budget while providing high quality and a safe working environment in the process. Fluor has the goal to work effectively and proactively as a team to complete the project on time so that the benefits of the project can be offered to the public quickly and cost efficiently. All our various work activities will be focused on achieving these goals. There are a number of techniques that we will use to this achieve these objectives. Each of these techniques is the product of experience, and each is a proven project management tool. These techniques include:

- Partnership approach
- Safety/traffic management emphasis
- Goal-driven planning, design, and construction process
- Quality assurance/quality control (QA/QC)
- Construction completion focus
- Continual schedule and cost analysis

The Fluor management organization that will develop and construct this project is structured in a simple form with clear lines of authority and coordination from VDOT to the project director and through him the government relations and community outreach advisers, and the three major task managers — design, construction, and finance. Specific functions of each key element are:

Program Manager – The Fluor management approach will be a fully integrated, full-time dedicated team tailored to focus on the major challenges of the Third Hampton Roads Crossing project. The Fluor project director will provide the program management oversight for each of the major functional work components of the team. All key Fluor team decision-makers and much of the staff will be housed in one Virginia project office. The Fluor project director will manage the project assisted by senior managers for public relations, finance, design, and construction.

Government Relations and Community Outreach Advisers – Since the revenue strategies discussed in Tab 3 are dependent on the support of state, local elected officials, business organizations, the driving public, and the public at large, Fluor feels it is critical to make this effort an early priority. Fluor, through its government relations and community outreach advisers, will develop a plan using education and information to maintain or increase support for the project. Without this support, none of the currently pending PPTA approaches to this project will succeed.

Finance Manager – Fluor's finance plan manager will coordinate the efforts of our underwriter, government relations advisers, bond counsel, and traffic forecasting specialists (Vollmer Associates) to prepare a financial plan that will identify the sources and uses of funds. This approach will be refined throughout the project development phase and will be adjusted as necessary to maintain the public support. Nonrecourse toll revenue bonds issued by an IRS 63-20 organization will be used in the Fluor plan.

Design Team Manager – HNTB will lead the design team and coordinate all engineering activities in the Fluor organization. Its experience in managing large, complex transportation projects throughout the United States and Virginia will allow it to initiate these activities with a minimal learning curve. Although HNTB has adequate capacity to handle this assignment, it may subcontract many of the design tasks to accelerate the work and provide business opportunities for other Virginia design firms.

Bouygues' designers will perform the preliminary engineering for the immersed tube tunnels with final design by HNTB assisted by High-Point Rendel and Hatch Mott MacDonald. This critical component of the project will benefit from Bouygues' seamless in-house tunnel design, construction, and operations experience gained on many other similar projects. HNTB assisted by Baker will take the design lead for all other project components, including transit planning and design.

Construction Manager – The construction manager will focus on integrating the fast-track permitting and design efforts with the expedited construction activities of the Third Hampton Roads Crossing project.

- Fluor is prepared to begin the design and other geotechnical items significantly in advance of the design-build agreement, which will involve the construction manager from the start. Starting early, Fluor would advance the project completion schedule even further than the aggressive schedule proposed.
- Cost-effective design and construction are required to allow developing an innovative financing plan. Considering the known risks, Fluor believes its proposal provides the greatest benefits to the Commonwealth and Tidewater area residents at the lowest total fixed cost. A significant benefit of fixed design and construction prices is facilitating easier financing.
- Fluor intends to subcontract the Third Hampton Roads Crossing project to Virginia contractors to the maximum extent possible.

Tab 1: Qualifications and Experience

1-a. Organization

- Constructibility will be an integral part of the Fluor team's effort, not just a review exercise. With a fully integrated team in the same office, such a process will be effectively executed. Bouygues' tunnel design effort, as previously mentioned, will be done by a seamless in-house team.
- Leading the construction effort will be well-known construction companies for each of the major functional areas: Bouygues and High-Point Rendel for tunnels, American Bridge and McLean for bridges, and Branch Highways for roadwork.

1-b. EXPERIENCE

Describe the experience of each firm and the key principals involved in the proposed project. Describe the length of time in business, business experience, public sector experience and other engagements of the firm(s). The lead organization must be identified.

1-b.1 Experience with Similar Projects and Company Descriptions

THE FLUOR TEAM

Fluor has assembled a world-class team experienced in the financing, design, and construction of projects similar to the Third Hampton Roads Crossing. Fluor will lead the team effort and has substantial capability in project development and proven team performance in project delivery. In this section are selected relevant projects for Fluor and our team members: Bouygues, HNTB, Hatch Mott MacDonald, Michael Baker, High-Point Rendel, American Bridge, McLean, Branch Highways, Bear Stearns, Kemper Consulting, and Williams Mullen. Figure 1-b.1, Fluor Team Immersed Tunnel Experience in Design and Construction, presents representative examples of the team's prestressed concrete immersed tunnel experience.

Tab 1: Qualifications and Experience
1-b.1 Experience with Similar Projects and Company Descriptions

Tunnel	Year Completed	Bouygues	HMM	HPR
Warnow River 800-meter Immersed Tube Tunnel, Rostock Germany	*	2003	Design and Construction	
LaMarne A86 Motorway 350-meter Immersed Tube Tunnel, Nogent France	*	1987	Design and Construction	
Hong Kong Metro Central Reclamation Phase 1, 200-meter Immersed Tube Tunnel, Hong Kong, China	*	1997	Design and Construction	
Third Hampton Roads Crossing, Virginia Major Investment Study		1996		Design Consultant
Medway Bypass 460-meter Immersed Tunnel, Kent County, United Kingdom	*	1996	Detailed Design	Design
Pulau Seraya Tunnel, a 2,500-meter Immersed Tube Tunnel, Singapore	*	1998		Design
Jack Lynch Tunnel, a 610 meter Immersed Tube Tunnel, Cork, Ireland	*	1998		Design
Gravina Access Project, an 825-meter Immersed Tunnel linking Ketchikan, Alaska, and Gravina Island		2003	Design Consultant	
Western Railway 1,300-meter Immersed Tube Tunnel under Victoria Harbor, Hong Kong, China	*	1997	***	Design
Strait of Belle Isle Crossing, 18-kilometer wide Immersed Tube Tunnel, Labrador-Newfoundland, Canada.		2004	Feasibility Study	
Genoa City Center 1,800-meter Immersed Tube Tunnel, Genoa, Italy	*	Study 2000		In negotiation for D-B Contract
Preveza-Aktio 2,000-meter Immersed Tunnel Crossing between Preveza and Aktio, Greece	*	2000		Design
Øresund 3,500-meter Immersed Tunnel Crossing from Denmark to Sweden	*	1997	***	Risk Assessment Study
Ted Williams 1,200-meter Immersed Tube Tunnel under Boston Harbor, Boston, Massachusetts**		1995		

* Projects delivered using a design-build approach.

** Hugh Caspe, currently with HNTB, served as design oversight manager for this project while working with Sverdrup.

*** Derek Penrice, currently with HMM, served as designer for design-build contractor, while working with Acer Consultants.

Figure 1-b.1. Fluor Team Immersed Tunnel Experience in Design and Construction

Tab 1: Qualifications and Experience
1-b.1 *Experience with Similar Projects and Company Descriptions*

FLUOR

Company Description

Fluor is one of the world's largest, publicly owned engineering, procurement, construction, operations, maintenance, and project management companies. Founded in 1912, the company has an international workforce exceeding 30,000 serving clients in both traditional and evolving industries through a network of more than 25 offices. Fluor's experience encompasses the entire spectrum of project delivery systems and services provided to an extensive range of clients. This diverse background of experience has allowed Fluor to consistently offer unique solutions and innovative approaches to transportation projects.

Fluor's Infrastructure Group is dedicated to serving the highway, transit, aviation, port facility, and telecommunications markets globally. Its portfolio of experience includes major highways, toll roads, rail (light, commuter, heavy, high-speed) systems, aviation facilities and systems, and ports. Public-sector clients are provided a full range of services including development, program management, turnkey design and construction, operations and maintenance, and build-own-operate-transfer (BOOT) arrangements.

Fluor has taken the lead in developing and coordinating innovative, public-private partnerships for major transportation projects to help local, state, and government authorities meet public demands. Providing fast-track design and construction services for the Conway Bypass, the first major design-build highway in South Carolina, Fluor assisted in its early development, including the formation of the State Infrastructure Bank. Fluor was instrumental in the development of first-of-a-kind, privately financed, design-build toll roads in Denver, Colorado, and Richmond, Virginia, both using tax-exempt bonds to finance the debt. Currently, Fluor is the lead partner in the consortium that has a Comprehensive Development Agreement with the Texas Turnpike Authority to design-build a 90-mile toll road in Texas.

Fluor has completed multiple highway projects that total billions of dollars in construction cost and represent a host of challenges for every level of design, approval, and construction. While designing and managing construction of many individual projects, both large and small in scale, the company has developed a strong reputation for the specialized work of program management and is currently managing several large-scale programs in California and South Carolina representing more than \$10 billion in highway improvements.

Tab 1: Qualifications and Experience
1-b.1 *Experience with Similar Projects and Company Descriptions*

Since 1954, Fluor has completed more than 600 projects in Virginia for a large variety of industrial, power, commercial, and chemical clients. These projects represent a \$5 billion investment in the Commonwealth and contribute to Fluor's full understanding of local statutes, conditions, and practices. This experience also complements the firm's expertise in project development and management.

Experience

Pocahontas Parkway (Route 895 Connector), Richmond, Virginia – Fluor was the majority partner and development lead in the FD/MK LLC venture responsible for the financing, design, and construction of the Route 895, Pocahontas Parkway, the first capital

project under the Commonwealth of Virginia Public-Private Transportation Act of 1995. During the three-year development period, the Fluor-led team raised private capital funding and employed an innovative use of tax-exempt bond financing to bring this \$324 million project to reality



while fostering local support and obtaining agency clearances. The tax-exempt toll revenue bonds to finance the design and construction of the parkway were issued by a nonprofit organization created to serve as a bond-financing conduit.

The four-lane, limited-access tollway project consists of a high-level river crossing, connecting I-95 to the I-295 in the vicinity of Richmond, Virginia. As part of the regional beltway around the metropolitan area, Route 895 will help relieve existing highway congestion through downtown Richmond and offer a faster connection to the regional airport. It links Chesterfield and Henrico counties. The 8.8-mile divided highway includes interchanges with the two interstates; a 200-meter clear span, cast-in-place bridge over the James River; pre-cast segmental elevated ramp structures; smaller bridges; and toll facilities. The toll system uses the “Smart Tag” AVI technology and is being upgraded for E-ZPass transponders, which are in use along the east coast of the United States.

Project activities included utility relocations, wetland mitigation, right-of-way property acquisition, obtaining permits, and design and construction. Field construction began in 1998 with site staffing peaking at 600 workers. The eastbound lanes opened May 2002, and the westbound lanes four months later. The Pocahontas Parkway was completed \$10 million under budget. The Commonwealth of Virginia provided \$27 million

Tab 1: Qualifications and Experience
1-b.1 *Experience with Similar Projects and Company Descriptions*

(\$18 million in loans and \$9 million design cost) of the total project budget with the remaining funds from the private sector. In addition the Fluor team provided a \$5 million revolving line of credit for the project that can be drawn to pay debt service if revenues are not sufficient during the first 10 years of operation.

Conway Bypass, Horry County, South Carolina – Fluor provided fast-track design and construction services for this 28.5-mile controlled-access highway around the traffic congestion caused by the city of Conway. Culminating from teamwork among government agencies, private industry, and local communities, the \$386 million Conway Bypass is the first major public-private partnership project to be constructed in South Carolina. The bypass is also the first project funded by the State Infrastructure Bank (SIB) established by the South Carolina General Assembly.



As the first phase of the Road Improvement Development Effort (RIDE) Program, the Conway Bypass stretches from Highway 501, 6 miles north of Conway, to North Myrtle Beach, South Carolina. The roadway varies from four to six lanes in width, with provisions for widening the entire length to six lanes, and includes five major interchanges. Seventeen mainline bridges span wetlands, railway, and the Waccamaw River.

The project scope included numerous bridges over wetland areas making up 9.85 miles of the approximately 28.5-mile roadway. By working closely with state and federal agencies, Fluor identified minimally productive wetlands that allowed the elimination of approximately 5 miles of bridges resulting in a \$50 million reduction in total project cost. Project personnel worked with U.S. Army Corps of Engineers representatives in the field, conducting actual field reconnaissance of the project to identify these wetlands, and then with multiple agencies in modifying the permit.

The new road, officially named Veterans Highway, opened seven months ahead of schedule despite the disruption of three hurricanes and attention to sensitive environmental issues requiring special methods of construction. Top-down bridge construction used pre-cast components and temporary trestles for heavy cranes to cross over work corridors avoiding contact with wetlands and eliminating building access roads through sensitive areas.

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1-b.1 *Experience with Similar Projects and Company Descriptions*

Fluor's team was composed of local state design and construction firms. Project staffing peaked at 720 during construction. The project achieved 2.6 million hours without a single lost-time accident. This record ranks it as one of the safest major transportation projects in the United States.

E-470 Toll Road, Segments II and III, Denver, Colorado – Fluor, as a partner in the Platte River Constructors, Limited, joint venture, provided financing, design, and construction services for the

\$321 million, 29-mile, initially 4-lane toll highway for the E-470 Public Highway Authority. Designed for an ultimate 8-lane configuration from Parker Road to and beyond the Denver International Airport, E-470 will eventually be a complete ring around eastern Denver. This facility is the first major design-build toll highway facility in the United States to reach the construction phase.



The public-private partnership developed on this project included the use of tax-exempt financing and the teaming of underwriter, traffic consultant, designers, construction subcontractors, environmental counsel, and others into a team that developed the project with the E-470 Public Highway Authority. An extensive value engineering effort resulted in the relocation of the highway, saved \$90 million in construction costs, and increased toll revenues to a level that made the project economically feasible.

The E-470 roadway was opened to traffic in May 1999, two months ahead of schedule. Achieving 2.25 million workhours without a single lost-time accident, the project encompassed 12 major interchanges, 34 bridge structures, 3 mainline and 16 ramp toll plazas, 7 mainline grade separations, and full environmental remediation measures. Included in the project scope were design and construction of roadway and bridges and toll facilities featuring a state-of-the-art Toll Beltway Management System (TBMS). The TBMS scope included the complete turnkey services for design, fabrication, technical support, equipment software testing, installation, restraints, and documentation and a three-year warranty for the fully functional and integrated system.

BOUYGUES TRAVAUX PUBLICS

Company Description

As a specialist in large-scale, highly technical projects, Bouygues Travaux Publics is a leading civil works company providing full project implementation services that encompass design-build and design, build, finance, and operate (DBFO) operations. Bouygues Travaux Publics' scope of activity includes tunnels, bridges, motorways, metros as well as marine works, earthworks, foundations, and prestressing.

Founded in 1952 in France by Francis Bouygues, Bouygues SA initially operated in the building industry in the Greater Paris region. The company gradually expanded operations throughout France and continued to expand its activities in civil works (during the 70s) and internationally. All building and civil works activities are housed within Bouygues Construction, serving as a holding company for the entire Bouygues construction segment.

The turnover of Bouygues SA is US\$27 billion, which includes US\$16 billion in construction, road, and offshore works abroad and in France. It is ranked No. 2 (*ENR* 2004) within the construction groups internationally. Bouygues Travaux Publics' turnover reaches US\$658 million, of which more than 70 percent is performed outside of France.

Bouygues Travaux Publics has a long track record of design and construct contracts worldwide and extensive experience in managing large contracts. The average value of contracts signed in the last 5 years is US\$451 million. Possessing large internal resource capabilities, the firm can rely on subsidiaries and sister companies within the Bouygues Construction Group.

Bouygues Travaux Publics has particular skills in design management, developed from its worldwide experience, and provides advice from its specialized construction methods and R&D department. Bouygues Travaux Publics technical department has approximately 100 engineers and technicians supporting the activities of design, tender management, construction methods and estimating, engineering (roads and railways, electromechanical), and scientific calculation. The main fields of expertise cover all aspects of civil engineering structures: foundations, earth retaining, bridges, tunnels, and maritime works. In addition to its own resources, the technical department has access to the expertise of Bouygues Travaux Publics' subsidiaries with expertise in tunneling, earthworks, special foundations, and post-tensioning. The firm's 250-person equipment department specializes in heavy lifting, design and manufacture of special formworks, erection and maintenance of TBM and launching girders, and engineering of special equipment.

Tab 1: Qualifications and Experience
1-b.1 *Experience with Similar Projects and Company Descriptions*

Experience



Warnow Rostock Immersed Tunnel, Rostock, Germany – Bouygues Travaux Publics has completed construction of the immersed Rostock crossing, a 30-year design-build, finance, and operate project. Opening September 2003, the Rostock tunnel is the first motorway concession project in Germany. The 800-meter-long, dual two-lane immersed-tube tunnel beneath the Warnow River links the left bank of the Warnow estuary (where the majority of Rostock's population lives) to

the right bank (site of the industrial zone and the port). The Warnow is a small river that widens considerably to become the access channel to the port of Rostock downstream of the city.

The essential phase of the project involved dredging the riverbed to remove a million cubic meters of mud, sand, and marl. Some 600,000 cubic meters of mud were recycled and spread on fields around Rostock. While the dredging was being done, the six 120-meter-long elements weighing 22,000 tons each were precast in a dock built earlier on the west bank. When finished, they were floated out into the river and sunk into place. The toll facilities will be operated for 30 years by the concession company, Warnow Querung GmbH, in which Bouygues Travaux Publics is a 30 percent shareholder. The project also involved 4 kilometers of surface motorworks for which Bouygues built the access bridges, overpasses, slip roads, and toll plazas.



Tab 1: Qualifications and Experience
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La Marne Immersed Tunnel, Nogent, France – Bouygues constructed the A86 Motorway – La Marne 350-meter immersed tunnel using prestressed concrete precast caissons that were transported and then immersed. The project included three main areas: the right bank transition structure consisting of two tubes, 12.10 meters wide, 6.10 meters high, and 60 meters long; the left bank tube 12.10 meters wide, 6.10 meters high, and 150 meters long directly connected to an immersed caisson; and the structure under the river consisting of two tubes with the same section and made of prestressed concrete precast caisson. The tunnel beneath the river is made up of seven caissons; three are 47.50 meters long, three 54.50 meters long, and one 45 meters long.



dredging of 1 million cubic meters of mud, filling with 4 million cubic meters of riprap and sand, shifting and reconstruction of 6 ferry landing piers, and the construction of the first section of the 200-meter-long immersed tube tunnel. The project scope also included constructing eight seawater pumping stations supplying the cooling system of the neighboring builds and providing utility networks and roads for the filled zone.

Terminal Hong Kong Metro Line, Central Reclamation, Phase 1, Hong Kong, China – Bouygues led the joint venture in the design-build of the reclamation and construction of a seawall to provide land for the expansion of the central business area and the airport railway terminus and in the construction of replacement ferry piers and air-conditioning intake facilities. The maritime works included construction of 1,200 meters of quay wall, the

Monaco Harbor Breakwater, Principality of Monaco – For the Condamine harbor improvement project, Bouygues designed and constructed a breakwater sheltering the existing harbor and a roadstead suitable for cruise ships and large private yachts. The breakwater consists of an 85-meter-long, 40-meter-wide, 32-meter-high reinforced concrete abutment section founded on fill 30 meters below sea level. Three reinforced-concrete saisons connect the abutment to the shore. Behind the



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breakwater is a 1.2-hectare area of fill for building. The lee breakwater uses Bouygues Breakwater Optimized Profile.

Port in Tangiers, Morocco – Bouygues Travaux Publics is a member of a consortium selected by ASTM, the Special Tangiers Mediterranean Agency, to design and construct the first phase of a new commercial port in Tangiers. Bouygues will build the breakwaters and perform dredging and earthworks for the new port. The consortium proposed a design alternative that has a breakwater comprising around 40 precast, reinforced-concrete caissons in areas where the sea floor is more than 20 meters deep. The new design includes an approximately 18-hectare increase in the area of usable reclamation (quay platform and marshalling yard, etc.), a decrease in environmental impact due to reductions in project footprint and the volumes of materials used, and a shorter construction duration. The project schedule is expected to be three years, with the first ships berthing in 2007.



Beirut Sea Front, Lebanon – Bouygues was responsible for the design and construction of a sea-front wall more than 1 kilometer in length to protect a 60-hectare reclamation in Beirut. It consists of a 1,335-meter-long breakwater made from an alignment of 80 wave-absorbing caissons protected by a submerged artificial reef. The innovative structure design to mitigate wave action comprised a line of two levels of twin-lobed precast concrete caissons, perforated below sea level, open to wave action. The 100-meter-wide submerged reef is shaped for high waves energy absorption and to serve as a foundation for the caissons. A three-level promenade deck is built on the caissons.

N'Kossa Oil Production Barge, Congo –

Bouygues designed and built this oil production barge that is the first monohull-type vessel built of prestressed concrete caissons. Once fitted with topside modules, the concrete barge is the largest vessel-mounted hydrocarbons production unit. Built in Marseilles and towed to the Congo, the barge serves as floating support for the production unit approximately 60 kilometers offshore in 200-meter-deep water. It stands off a platform spudded into the sea floor, and is connected to it by a network of flexible production lines.



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HNTB

Company Description

Founded in 1914, HNTB Corporation is one of the country's leading engineering firms providing planning, design, and construction services with an emphasis on transportation-related projects. The firm has designed major highways and transportation projects in nearly every state. A leader in the design of both concrete and steel long-span and movable bridges, HNTB has designed more than 14,000 bridges worldwide, including many award-winning projects such as the Dame Point Bridge in Jacksonville, Florida.



HNTB's design experience with the Virginia Department of Transportation (VDOT) is unsurpassed by any other transportation engineering consultant. VDOT was HNTB's first client when the firm's local office opened its doors in 1963, and a strong relationship has continued. HNTB, responsible for the design of hundreds of millions of dollars worth of construction, has worked on some of the most visible and prominent transportation projects in the Commonwealth. In 1997, VDOT recognized HNTB with its "Consultant of the Year" award. VDOT has routinely awarded HNTB its most sizable projects, as the firm has proven its capabilities to successfully complete complex, multidisciplined endeavors.

In addition, HNTB has performed construction engineering inspection (CEI) services for VDOT including shop drawing review, notice-of-intent analysis, claim review, and CPM review since 1986, beginning with Route 1 in Crystal City. As part of the NOVA District-Wide Contract, the firm performed CEI services for the Manassas Residency on the second Route 234 Bypass Project from Balls Ford to Route 28. HNTB is very familiar with the construction environment, terrain, VDOT resident personnel, standards, and expectations.

Experience

Christiansburg Bypass from I-81 to Blacksburg, Virginia – These three separate projects include typical interstate (I-81) and primary road construction standards. The projects were inspected (QA/QC) concurrently and are considered as one QA/QC program by VDOT for a total project value exceeding \$155 million. The experience gained here makes HNTB very familiar with the construction environment, terrain, VDOT resident personnel, and standards in the area.

I-95 Phases I and II, Extension of High Occupancy Vehicle (HOV) Lanes in Springfield and Newington, Virginia – HNTB performed both design and CEI services on the VDOT projects that included major bridge construction/reconstruction under traffic in the heaviest traveled corridor in Virginia (200,000 vehicles per day). The work involved three major interchanges, retained earth walls, retaining walls, intelligent television cameras, transportation systems, variable message boards, HOV gate systems, electrical systems/lighting, signage, 20 lane miles of asphalt pavement, drainage structures and systems, sound walls, etc. The two projects were contiguous and had an overlapping construction schedule, so in essence the QA/QC consisted of \$120 million program value being inspected concurrently with a staff that varied from 12 to 25 personnel.

Dulles APM Tunnels, Dulles International Airport, Loudoun County, Virginia – For this mega project, HNTB was involved in the design of a tunnel network and maintenance facility for an automated people mover (APM) system and other tunnels at Dulles International Airport. The tunnel network will serve the existing and future terminal and concourses and includes two APM systems (domestic and international), the extension of a pedestrian walkback tunnel, a baggage tunnel, and tug and utility tunnels. The two-story APM maintenance facility consists of nine work bays, vehicle washing areas, maintenance shops, an operations control center (OCC), and offices.

The EESG provided site storm drainage, the verification of existing utility infrastructure systems, utility relocations, and utility services for the proposed improvements and contractor needs. The required tunnel infrastructure included potable water, water for fire protection, electric, and communication. Services also included correcting, updating, and field verifying the actual location and depth of all utilities impacted by the project's construction. Verification was initially through the use of office files and previous project drawings (including as-builts), but was also corrected by field survey. The entire design phase of the project was completed within 20 months following notice to proceed received at the beginning of 2001. The Boston EES group provided an estimated 5,000 hours on the project. The lump-sum fee for the entire project exceeded \$50 million.

Minneapolis-St. Paul International Airport, Hiawatha Light Rail Transit Tunnel Project, Minneapolis, Minnesota – The Minneapolis St. Paul Metropolitan Airport Commission selected HNTB to provide preliminary and final design services for a new light rail station under the Minneapolis-St. Paul International Airport's main terminal and a tunnel through the airport. The light rail system, developed by the State of Minnesota as a design-build contract, runs from downtown Minneapolis along the Hiawatha corridor through the airport and on to the Mall of America. HNTB provided program management of the project and final design of the cut-and-cover tunnel and approach sections.

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Minneapolis-St. Paul International Airport, Tunnels 17-35, 4-22, Y-3 and Bridge 17-35, Minneapolis, Minnesota – HNTB is currently designing and/or providing construction services for several tunnels at the Minneapolis-St. Paul International Airport as part of the construction of a new 8,000-foot north-south runway (Runway 17-35). Construction of the runway will create a parcel of land bounded by runways 17-35 and existing runways 4-22 and 11R-29L. Within this parcel, various tenant airfield facilities are planned, including an extensive air cargo complex. Access to the tenant airfield facilities requires construction of four vehicular tunnels, one pedestrian tunnel, and a vehicular bridge to accommodate airfield/vehicular traffic separation. The structures addressed by HNTB include Tunnel 17-35, a twin-cell, conventionally reinforced concrete tunnel providing 4 lanes of traffic with a total length of roughly 1,020 feet and Tunnel 4-22, a single-cell, reinforced concrete tunnel providing 2 lanes of traffic with a total length of roughly 1,580 feet. Tunnel Y-3 is a single-cell, reinforced concrete tunnel providing 2 lanes of traffic with a total length of roughly 360 feet. Tunnel W-Y is another single-cell, reinforced concrete tunnel providing 2 lanes of traffic with a total length of 640 feet. Bridge 17-35 is a single-span, prestressed concrete girder carrying a 2-lane service road over the open section of the 17-35 tunnel. The pedestrian tunnel provides passenger access from the main terminal to a remote concourse.

HNTB's scope of work for the project includes the development of the tunnel and bridge design criteria, preliminary and final tunnel and bridge design, mechanical tunnel ventilation, tunnel lighting, tunnel drainage, emergency communication, fire detection, carbon monoxide detection, traffic signals, emergency power supply, snow melting system, specifications, and cost estimates. HNTB is also providing full-time, onsite construction services for these structures.

Cincinnati/Northern Kentucky International Airport Automated Guideway Transit System and Tunnel, Hebron, Kentucky – HNTB provided the structural and civil engineering design of all transportation-related features of Delta Air Lines' \$375 million terminal expansion program. One of the prominent features of the transportation network is the high-speed, automated guideway transit system (AGTS) that travels between the new terminal and satellite concourses. The AGTS, along with a pedestrian walkway, utilities, and an automated baggage handling control system (BHCS), lies under the airport apron enclosed in a \$40 million matrix of tunnel cells and chambers HNTB designed.

The 1,539-foot, cast-in-place concrete tunnel has 6 separate cells located on 2 levels with more than 210,000 square feet of underground space. The upper level lies 25 feet below the apron and houses 2 independent guideways located between a 38-foot-wide pedestrian walkway. The three lower-level compartments contain space for nearly two miles of high-speed transport conveyors and a utility umbilical connecting the concourse buildings. Transfer points at the terminal and each of the concourses include an open well, skylit

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chase for vertical transportation to the boarding level, 40 feet above. An additional 20,000 square feet of underground space is at the tunnel's extreme end for vehicle maintenance.

HNTB's primary design objective was to provide a safe separation between passengers traveling throughout the vast complex of buildings and all aircraft and ground support operations. This was accomplished through the construction of an underground structure capable of supporting numerous static and dynamic loads imposed by the various internal systems, as well as the external forces exerted by both nature and normal airport operations. Specific design challenges included accommodation of aircraft loads, geotechnical considerations, flexible design, and waterproofing.

Hartsfield Atlanta International Airport Pedestrian Mall/Transit System Tunnel, Atlanta, Georgia – HNTB, in a joint venture known as Atlanta Airport Engineers (AAE), participated in the planning, design, and construction management of the airport facilities associated with the Midfield Terminal Complex of Hartsfield Atlanta International Airport. The complex includes two landside terminals and four airside concourse structures connected by a spine tunnel enclosure containing the Pedestrian/Transit Mall.

The tunnel structure is a rectangular cast-in-place, reinforced concrete section varying from 70 to 112 feet wide and 28 to 70 feet deep. The structure was constructed by the open-cut method with an extensive de-watering system. The high water table also required a waterproofing system. The structure includes five cavities at the minimum section and eight cavities at the maximum section. Two cavities along the lower level contain the main trainway with two additional containing the passing tracks. The main cavity along the lower level contains the pedestrian mall and facilities. One of the upper cavities above the two main trainway cavities houses the HVAC and Georgia Power equipment while the other contains the baggage handling facilities. The large area above the pedestrian mall contains the mechanical and control equipment for the AGTS.

The tunnel enclosure has a pedestrian mall between two moving sidewalks with separate cavities on either side of the mall to accommodate the AGTS designed by AEG Westinghouse. This rubber-tired, automated train system operates in a loop along the 6,000-foot spine tunnel enclosure connecting the main terminal with the 4 airside concourse buildings that serve 104 wide-body aircraft gates. Escalators and elevators extend from the pedestrian mall level to the aircraft boarding level at each concourse location. This Pedestrian/Transit Mall carries in excess of 50,000 passengers daily between the terminal and concourse facilities.

Raleigh/Durham International Airport, New Pedestrian Tunnel, Raleigh, North Carolina – HNTB, as a civil and structural engineering subconsultant to Walker Parking Consultants, was responsible for the design of the new pedestrian tunnel connecting the existing terminal facility with a new 2,500-space parking garage. The twin-cell, concrete, cut-and-cover tunnel supports a 32-foot-wide pedestrian mall with moving sidewalks and a utility/ventilation shaft. The west end houses concession areas while the east end encompasses the vertical transportation core for access to the ticketing lobby on the ground floor and the security checkpoint on the second-floor concourse level.

The design of the tunnel required careful coordination with planned future expansion of the terminal building including a new dual level roadway and bypass road. The top of the tunnel was designed to support the dual level roadway and the bypass road with minimal cover in conjunction with the planned grade changes. The design also included coordination with the existing building foundations as the elevation of the tunnel is below the foundations. Temporary shoring was designed to maintain full passenger activity within the building during construction with minimal disruption.

BART San Francisco Airport Extension, San Francisco, California – This project, a FTA-sponsored turnkey demonstration design-build project, is the first BART design-build project of its kind. The extension includes eight miles of underground cut-and-cover subway, more than one mile of aerial bridge structures, and two underground stations.

Besides the underground subway, aerial bridge structures, and underground stations, the project includes other structural and civil design elements, trackwork design, systems design, electrical design, and mechanical design. HNTB is the primary designer and is responsible to the contractor for delivery of buildable plans. Site work is required for the stations, and ventilation and traction power locations including existing utility identification, utility relocation design, street lighting, paving, traffic control, signalization, and pedestrian facilities. On and offsite drainage improvements are being designed and constructed including relocation and enclosure of a major drainage channel. Grading is required along the entire project as well as retaining walls and noise walls.

Central Artery Tunnel Project (D017A), Congress to North Street, Boston, Massachusetts – HNTB has been engaged by the Massachusetts Turnpike Authority (MTA) as the section design consultant (SDC) providing final design and construction phase services for the D017A section of the Central Artery/Tunnel project. D017A is the largest design section of the Central Artery/Tunnel project, a \$12.2 billion construction effort by the MTA. This project has two major elements: extension of I-90 from its current terminus at I-93, to Logan Airport and points north through an immersed tube tunnel and reconstruction of a section of I-93 as a cut-and-cover tunnel in downtown Boston along the existing Central Artery from Kneeland Street to Causeway Street.

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As SDC for D017A, HNTB is responsible for design of all the structural, civil, and tunnel finish elements associated with the proposed mainline tunnel, connecting ramps, and surface roadways from Congress Street to North Street. Specifically, the design effort includes slurry wall and caisson design, temporary underpinning of the existing elevated artery to allow construction of the new tunnel below, tunnel-base-slab and roof-slab design, emergency egress details, ramp portal design, horizontal and vertical alignment design, design of proposed drainage and extensive utility relocations, and the traffic control and street lighting network. The architectural designs include tunnel finishes, emergency egress facilities, and coordination of design for a ventilation building, and design for the affected area landscape.

Lafayette Bluff Tunnel, Two Harbors, Minnesota – Highway 61 at Lafayette Bluff had engineering problems that presented serious safety hazards for motorists. One was a 13-degree horizontal curve around the rock bluff that required motorists to slow down and frequently caught them by surprise. Another significant problem was the severe erosion of the Lake Superior shoreline that had progressed to the edge of the pavement and threatened the structural integrity of the highway. Both problems were eliminated by constructing a tunnel through the bluff just inland from the existing roadway. The 852-foot-long tunnel is composed of a 652-foot-long mined section and a 200-foot-long cut-and-cover portion.

HNTB served as the prime consultant for the design of the Lafayette Bluff Tunnel. Included in HNTB's work was the design and plan preparation for the 200-foot-long cut-and-cover tunnel portion of the project, electrical and mechanical engineering, portal design, tunnel lining, and overall coordination of the design team. The fill carried by the cut-and-cover portion of the tunnel varied up to 25 feet in depth.

Design of the portals required special considerations in creating entrances that were unobtrusive and preserved the natural environment to the greatest extent possible. For the south portal structure, designers adapted styles used in Europe, where land scarcity frequently requires unobtrusive designs. In addition, the south end includes a cut-and-cover section that further minimizes permanent land use. The north portal is placed at a vertical rock face. The challenge faced here was to protect motorists from rockfall.

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HATCH MOTT MACDONALD

Company Description



Hatch Mott MacDonald (HMM), a leading North American consulting engineering firm with a century of worldwide experience, has designed and managed some of the world's most prominent infrastructure projects. Proud of its role in major ventures across North America, the company provides comprehensive engineering services in all areas of transportation plus water, wastewater, environmental, and utility markets.

With more than 30 offices in North America and staff resources exceeding 8,800 worldwide, HMM can respond quickly and cost effectively to any project demand. Its focus on innovation and corporate dedication to quality has been recognized with numerous industry awards and accolades from clients.

HMM has been providing consulting services for the feasibility, design, and construction of immersed tunnels in many countries since 1970. The company's wide range of engineering disciplines ensures that a fully integrated team of specialists can consider all aspects of a project, including open-cut approaches, cut-and-cover tunnels, shore protection, marine structure, terminal buildings, ventilation and all mechanical and electrical services, environmental impact, and landscaping.



HMM's global portfolio includes the winning tender design and subsequent detailed design of the Medway Tunnel in the United Kingdom; the detailed design and construction assistance for the Sydney Harbor Tunnel in Australia; the Bilbao Metro in Spain; and the planning, preliminary design, and construction supervision of the Jack Lynch Tunnel in Ireland. HMM prepared the full reference design and contract documents for the Pulau Seraya Cable Tunnel in Singapore, for which full construction supervision was also provided. Subsequently, the client selected HMM to perform similar duties for the Tuas Bay Cable Tunnel.

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HMM has completed or is currently working on a number of major immersed tube tunnel (ITT) projects in North America, including the major investment study for the Third Hampton Roads Crossing, the New York Cross Harbor Rail Freight Tunnel, the North Shore Connector LRT in Pittsburgh, and the Fraser River Crossing in Vancouver. Current HMM staff has also been instrumental in the success of landmark U.S.-immersed tunnel projects, such as the Fort Point Channel Tunnel in Boston, the first example of reinforced concrete ITT construction in the states; and the 7,200-foot-long, 8-lane Fort McHenry Tunnel in Baltimore, Maryland, the widest underwater tunnel in the world.

Experience

Third Hampton Roads Crossing, Virginia – Since 1996, HMM has been part of the consultant team developing the options for the third crossing of the Hampton Roads waterway. In this area are a number of notable immersed tunnels, including the two Hampton Roads tunnels, the Monitor-Merrimac Memorial Bridge Tunnel, and the Chesapeake Bay Bridge Tunnel. During the preliminary planning and environmental impact stage, HMM proposed the use of a rectangular concrete box cross section for the third crossing, combined with a longitudinal ventilation system. This approach was in direct contrast to the circular steel tubes and fully transverse ventilation used in the adjacent tunnels. The rectangular section minimizes the dredging requirement for the tunnel, offering considerable benefits for the environment and the cost of the project. The owner, the Virginia Department of Transportation, adopted this option.

Medway Tunnel, United Kingdom – HMM's parent firm was commissioned by Tarmac/HBM in 1991 to undertake a detailed tender design and full bill of quantities measurement for a twin 1,500-meter-long, 2-lane highway that passes under the River Medway in Kent. The design and construct project includes a 725-meter-long tunnel of which 360 meters are immersed tube with cut-and-cover and approach structures on both banks. The ventilation and all mechanical and electrical services for the tunnel were also included in the brief.

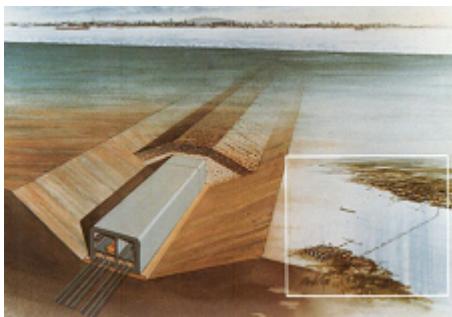
Following the successful bid, HMM carried out the full detailed design of all permanent works, and assisted with the construction supervision. The immersed tunnel section comprised three reinforced concrete elements, each approximately 120 meters in length. The elements were constructed in an on-line casting basin on the centerline of the proposed highway, where difficult mixed ground conditions existed.



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HMM was responsible for the structural design of the tunnel and the jointing of elements, the design of which was conducted with the assistance of a specialist subcontractor. The temporary works associated with the float-out and marine operations for the immersed tunnel were the responsibility of the contractor. The HMM design needed to incorporate all the temporary fixtures associated with these operations, requiring close liaison with the contractor throughout.

The approach structures used a variety of construction techniques including diaphragm walls, combi walls, tension piles, open-cut and hydraulic filling. Opened for traffic June 1996, the Medway Tunnel was the second immersed tunnel to be constructed in the United Kingdom.

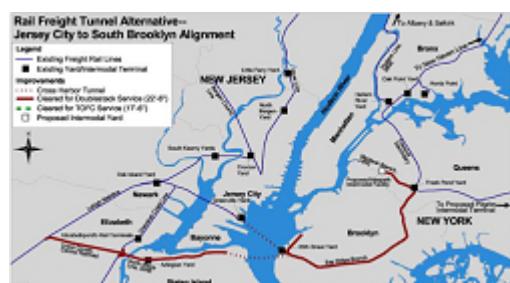


Pulau Seraya Cable Tunnel, Singapore – In 1984 HMM was appointed by the Public Utilities Board of Singapore to initially present a feasibility study, and subsequently an outline design, and supervise the construction of a 2.6-kilometer immersed tube tunnel from the mainland of Singapore to the island of Pulau Seraya. The tunnel, which passes under a busy shipping channel, is designed to carry HT cables from

a new power station on the island. The tunnel design includes all electrical and mechanical services for cable cooling, ventilation, fire protection, and communications as well as the battery-driven rail-guided maintenance vehicle. The immersed tunnel consists of 26 precast concrete elements, each 3.7 meters high by 6.5 meters wide and 100 meters in length. The detailed design was prepared by the contractor and submitted to HMM for checking and approval. The elements were placed in a dredged channel at sufficient depth to permit future dredging of the shipping channel.

Cross Harbor Freight Movement Study, New York

New York – HMM is providing environmental and engineering services for the proposed cross-harbor rail freight tunnel in New York. The alignments considered for the proposed tunnel include single-bore and twin-bore, single-track tunnel between Brooklyn and New Jersey, and between Brooklyn and Staten Island. Both bored tunneling and immersed tube techniques have been addressed for the undersea tunnel. The Brooklyn to New Jersey option, if constructed, would be the longest undersea rail freight tunnel in the U.S. and one of the longest tunnels in the world. Because diesel-powered trains will use the tunnel, ventilation of the entire 8.3-kilometer-long structure is a key issue in the viability of the various



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options. The scheme also involves challenging ground conditions, ranging from hard rock to extremely soft harbor deposits.

Tuas Cable Tunnel, Singapore – As a result of the previous successful work on the Pulau Seraya Tunnel, HMM carried out a feasibility study for another immersed tube cable tunnel between the proposed Tuas Power Station and the Keppel Shipyard area across Tuas Bay. The project includes approximately three kilometers of tunnel, two-thirds of which is immersed tube.



Following the study, HMM carried out a concept scheme and prepared tender documents. Detailed negotiations were held with the numerous interested parties. The contract was let on a design and construct basis with bids being submitted on the engineer's designed scheme. The tunnel units are approximately 10.5 meters wide by 4.2 meters high. The scheme involves the construction of 20 No. units, each 100 meters in length, which were floated into position and submerged using buoyancy tanks before being jointed underwater. HMM provided site supervision during the construction phase, as well as undertaking a full checking role on the detailed design of the tunnel, and mechanical and electrical installations. The tunnel was commissioned in 1998.



North Shore Connector LRT, Pittsburgh, Pennsylvania – Fast-paced development of Pittsburgh's North Shore has spurred development of a public transportation link between the downtown central business district and the North Shore across the Allegheny River. To support the Draft Environmental Impact Statement, HMM, as a subconsultant, performed a tunnel feasibility study that included evaluation of various tunnel construction methods available, including bored and immersed tube, development of tunnel cross sections given required vehicle clearances, ventilation and tunnel systems requirements, cost estimates, and preliminary risk assessment.

Based on available data, the ground conditions comprise a 30- to 40-foot-thick layer of soft, permeable river deposits with rock beneath. The light rail vertical alignment results in difficult mixed-face mining conditions, making a bored tunnel unsuitable for this project and leading to recommendation of an immersed tube tunnel. On the basis of perceived construction cost, the client elected to proceed with a bored tunnel alternative for which

Tab 1: Qualifications and Experience
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HMM prepared preliminary engineering for tunnel systems including electrical, mechanical, and ventilation.

Jack Lynch Tunnel, Cork, Ireland – HMM in association with a local consultant was responsible for the design preparation of contract documents, and site supervision of a 4-lane immersed tube tunnel crossing, 610 meters in length excluding approaches. The structure is a twin cell with a central services/emergency escape bore. Five tunnel elements, each 120 meters in length, were constructed. The northern approach was formed using a floated open tunnel, or “boat,” section 120 meters long, the first of its kind in the world.



Gravina Access Study, Alaska – Gravina Island on the southeastern tip of Alaska is accessible only by ferry and aircraft. HMM completed a feasibility study and conceptual design for a crossing of the 1-kilometer-wide Tongass Channel. The study encompassed high bridge and tunnel options and improved ferry services. Factors impacting the selection of the route corridors included marine and aircraft traffic requirements, environmental impacts, ventilation

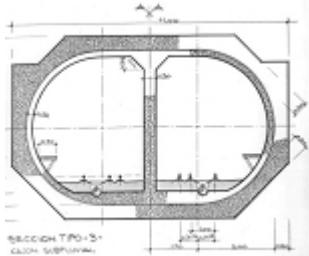
and fire and life safety issues, and maintenance and operation considerations. The favored scheme was a 750-meter-long immersed tunnel with 150-meter-long cut-and-cover approaches on each shoreline. The tunnel cross section was sized to accommodate two lanes of traffic plus an elevated pedestrian/bike path.

Strait of Belle Isle Crossing, Newfoundland-Labrador, Canada – HMM assessed the feasibility of constructing an immersed tube tunnel (ITT) across the Strait of Belle Isle, linking the Canadian mainland and the Island of Labrador. At its narrowest point, a connection will yield a crossing approximately 18 kilometers wide, within a waterway varying in depth to a maximum of 110 meters. If built, the ITT would be the longest and deepest ever constructed. HMM considered the many logistical and environmental issues related to the successful construction of the ITT across the Strait, and concluded that the crossing is indeed feasible by ITT methods through the use of existing technologies, in conjunction with the assumption that some existing technologies can be further extrapolated to address



Tab 1: Qualifications and Experience
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the complications presented by the expected water depths. The study considered both rail and road tunnel options.



Bilbao Metro, Spain – HMM, as subconsultant to the Spanish consultant SENER, provided advice on the feasibility and civil engineering design of bored tunnels, stations, and three immersed tunnel crossings of the River Nervion on Lines 1 and 2 of the Bilbao Metro project. Comparisons were studied for bored tunnels and steel or reinforced concrete

immersed tunnels for these river crossings. The two immersed tunnel crossings in Line 1 were constructed. Although short in length, both crossings presented a number of design problems requiring innovative engineering solutions, particularly in respect of minimizing disruption in the city during construction. HMM established the feasibility of using immersed tunnels for the project and carried out the detailed design of the structures, specified the method of jointing and advised on the associated marine operations.

Sydney Harbor Crossing, Australia – HMM was appointed as designer to the Transfield-Kumagai J.V. for both the bored-tunnel approaches and the immersed-tunnel sections of the Sydney Harbor Project. The scheme provides for a twin dual-carriageway highway tunnel of overall length 2.3 kilometers, of which 960 meters are immersed tube. HMM was responsible for the planning and design of the overall project, the immersed-tunnel section being conducted in association with Freeman Fox and Partners.

The 8 No. 120-meter-long reinforced concrete immersed tunnel elements were built in a basin located at Port Kembla, and towed 80 kilometers in open sea to their final location. The immersed-tunnel elements were specially designed to withstand the wave effects of this long sea tow using specially developed modeling techniques.



The tunnel is located in an extremely environmentally sensitive area. One of the immersed-tunnel landfalls, being adjacent to the Sydney Opera House, required a complete skewed interface with the bored-tunnel approach.

Shanghai Ring Road Bid Design, China – Design-build solicitations for a 1,300-meter-long tunnel under the Huang-Pu River were issued in late 1988. HMM was a specialist adviser for Shanghai Construction on immersed tube construction and on the ventilation systems. The tunnel accommodates eight lanes of traffic in four separate cells. The immersed tunnels section would need to be formed using 8 elements, each approximately 115 meters in length. A number of visits to Shanghai were undertaken by HMM staff to

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determine the nature of the site. Advice was provided on the location of the casting basin for the tunnel elements, and the structural requirements taking into account the significant seismic loading conditions. HMM also provided a comprehensive performance specification for the tunnel ventilation system, and value engineering on the approach structures.

South Hampshire Rapid Transit, United Kingdom – Based on a successful working relationship with the contractor for the Medway Tunnel, HMM was commissioned by the Nuttall/Carillion joint venture to undertake the bid designs for a light rail in the Portsmouth/Gosport area. The project's central feature is an immersed tube tunnel extending approximately 700 meters under the entrance to Portsmouth Harbor. HMM has worked closely with the contractor's temporary works designers to ensure a cost-effective design can be put forward with the bid documents. Previously, the owner commissioned HMM to provide a complete safety audit of the proposed scheme, which encompassed the surface rail system together with the construction and operation of the immersed tunnel section.

Songkhla Lake Crossing, Thailand – In association with Epsilon of Thailand, HMM was appointed by the Public Works Department to investigate the feasibility of constructing a tunnel across the entrance to Songkhla Lake in southern Thailand. Both immersed tube and bored tunnel options were investigated, and the results of the investigation found in favor of the immersed tunnel to accommodate a twin dual-carriageway highway, which will be part of the strategic coastal route to Malaysia. Following the study, HMM was selected to carry out the full detailed design of the tunnel that will be approximately 720 meters long, of which 480 meters is immersed tube. Designed to international standards, the tunnel will be equipped with full longitudinal ventilation plus mechanical and electrical, fire and life safety equipment, specified by HMM.



Fraser River Crossing, Vancouver – At the request of the project proponent, Translink, HMM prepared a memorandum as part of the project's due diligence phase, detailing issues related to the design and construction of an immersed tube tunnel approximately 830 meters in length, linking the north bank of the Fraser River and Barnston Island as part of a fixed river crossing. Based on very limited information available, this memorandum indicated that the immersed tube tunnel option was technically feasible.

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In early 2003, HMM were commissioned to undertake a more detailed study into the feasibility of the ITT, considering the available options for the physical construction of the structure and its approaches for two separate alignments. The study identified and addressed in detail the primary challenges of safely and economically constructing the crossing, which included specific client requirements, environmental considerations, geotechnical issues, including liquefaction of surrounding soils in a highly seismic area, and river operations and hydrodynamics. The feasibility report included preliminary construction cost and schedule estimates for several ITT configurations.

Western Harbor Crossing, Hong Kong – In 1992, HMM undertook the full tender design for a third immersed highway tunnel crossing of the Hong Kong Harbor. Operators of the existing Eastern Harbor Crossing commissioned the work as part of a build-operate-transfer approach. Detailed designs and full bills of quantities and cost estimates were produced for the complete works, which involved 1.4 kilometers of immersed tunnel accommodating a twin 3-lane highway. The project design also included the approach structures, ventilation buildings, mechanical and electrical works, and investigations into various options for casting basins.

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MICHAEL BAKER JR., INC.

Company Description

For 63 years, the Michael Baker Corporation (Baker) has been providing professional services on projects ranging from airports to bridges, concert halls to communications systems, municipal water supply to wastewater disposal, skyscrapers to stadiums, and from turnpikes to transmission pipelines. Over the years, Baker has become a multidimensional enterprise, providing planning, engineering and design, construction management, and operations and maintenance services.

Baker was founded in 1940 by the late Michael Baker Jr., and attained early recognition as a national and international engineering design firm. Today, Baker is a leader in providing engineering and energy expertise for public- and private-sector clients worldwide. The company is divided into two primary business segments: engineering and energy services. From this basic platform, Baker provides engineering design for transportation and civil infrastructure markets, environmental services, architecture services, construction management for building and highway projects, and operation and maintenance of oil and gas production facilities.

The company is headquartered near Pittsburgh, Pennsylvania, maintains 31 offices worldwide, and employs 4,200. In 2002, Baker achieved total contract revenues of \$426 million. *Engineering News Record* magazine currently ranks Baker 37th in the Top 500 Design Firms. The publication also ranked Baker as one of the Top 20 engineering firms in a variety of markets, including transportation, highways, pipelines, and telecommunications.

Since 1985, Baker has provided the Commonwealth of Virginia with vital transportation and infrastructure services. Today, more than 400 employees are based in the firm's offices in Alexandria, Virginia Beach, Richmond, and Herndon.

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Experience

Third Crossing Study, Hampton Roads, Virginia – In 1993 Baker was selected by the Virginia Department of Transportation and the Hampton Roads Crossing study coordinating committee to examine a full range of alternatives for improving transportation along I-64. Initial tasks encompassed the development of:

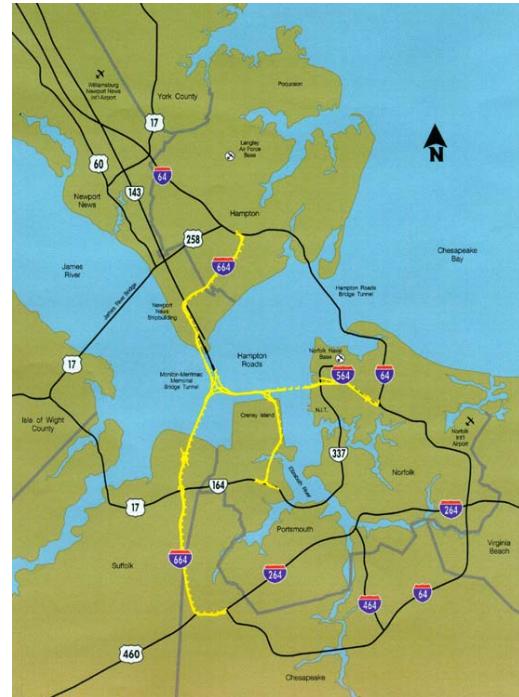
- Purpose and need document
- New regional transportation model for a 600-square-mile, highly urbanized study area
- Geographic information system
- Full NEPA documentation incorporating such legislation and guidance as the Clean Air Act Amendments of 1990, the Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA), and the combined NEPA/404 process

A Major Investment Study (MIS) was conducted that addressed HOV strategies; congestion pricing; IVHS; freight and passenger rail alternatives along with conventional build options including tunnels, bridges, and ferries. 45 potential solutions were originally considered. Using selective screening criteria, the list was narrowed down to 11 alternatives.

This crossing will provide new direct access to Norfolk International Terminals and the Norfolk Naval Base from both the Peninsula and I-664 on the southside and provide the link needed to support construction of a fourth marine terminal at Craney Island.

Baker completed a DEIS and biological assessments for the U.S. Fish and Wildlife Service and the National Marine Fisheries Service for the piping plover and several sea turtle species. Additionally, extensive coordination with the Corps of Engineers was undertaken on wetland issues. The final EIS and ROD have been signed.

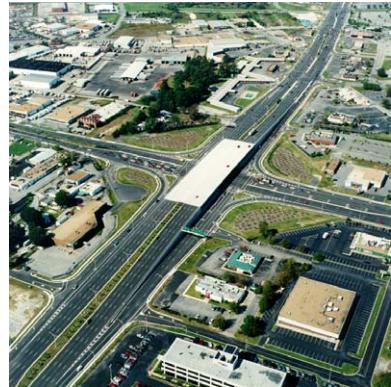
I-564 Intermodal Connector, Norfolk, Virginia – This project includes the preparation of right-of-way and construction plans for a two-mile, four-lane, limited-access interstate roadway and a new interchange linking Norfolk International Terminals with the Norfolk Naval Base and Interstate 564. Baker staff members also prepared plans for local collector streets to connect the existing street network to the new interchange. Project services



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included preliminary engineering, alignment study, interchange design, coordination with adjoining project, hydrological and hydraulic analysis and design, erosion and sediment control measures, maintenance and protection of traffic/sequence of construction, road design, and drainage design.

Military Highway Reconstruction, Norfolk, Virginia – Baker prepared conceptual transportation studies, preliminary plans, and final plans for the reconstruction of Military Highway (Route 13) from I-64 to I-264. Located along one of Norfolk's most concentrated commercial/retail sectors, this 4-lane, undivided roadway averages 60,000 vehicles per day. Several alignments, interchange configurations, and typical sections were investigated to provide service to three major shopping centers and several residential neighborhoods located along the project's 3.1-mile length. Included in the transportation planning studies was a viaduct solution to separate through movements on the upper level while maintaining surface access on the ground level. Close coordination with the city, neighborhood groups, and business leaders was key to the success of this project during the early study phase.



The final design of the selected option included an eight-lane facility with two single-point urban interchanges and seven interconnected signalized intersections. Single-point interchanges were selected because of their operational characteristics and their reduced right-of-way requirements. One of these urban interchanges replaces the oldest existing cloverleaf interchange in Virginia.

I-64 Widening, Chesapeake, Virginia – Baker is currently under contract with the Virginia Department of Transportation to design improvements to a six-mile segment of urban Interstate 64 in the City of Chesapeake, Virginia. The limits of design encompass I-464 interchange to the Route 17 interchange and includes a major crossing of the Southern Branch of the Elizabeth River, which is a navigable waterway. The total estimated construction cost of the improvement is between \$166 million and \$222 million, depending on the type of bridge and horizontal alignment chosen for the river crossing.

Major interchange improvements are being designed for both the I-464 interchange and the Route 17 interchange. Approximately 2.8 miles of collector/distributor roadways are to be designed, as well as design for reconstruction of all ramps in conjunction with these two interchanges.

HIGH-POINT RENDEL

Company Description

High-Point Rendel is a unique consultancy organization, formed through the merger of an engineering consultancy and a commercial and business management specialist.

Mobilizing a combination of technical, contractual, commercial, business, and management expertise, delivered by hundreds of highly qualified, multidisciplinary, professional staff operating from a network of 20 offices across four continents, the company has a worldwide reputation for assisting clients in the identification and delivery of major capital projects.

The history of High-Point Rendel spans some 160 years. The firm specializes in the design and delivery of major civil engineering infrastructure projects, encompassing the broad disciplines of structural, maritime, geotechnical, transportation, and mechanical and electrical engineering. All these disciplines are of direct and fundamental relevance to projects such as immersed tube tunnels, and it is this broad resource base, backed by in-house procurement and programming specialists, that is the strength of High-Point Rendel.

These diverse services have been delivered on some 600 major structures (including bridges and tunnels), 800 maritime and shipping-related projects, 1,000 highway projects, 250 railway and mass rapid transit assignments, and several thousand other projects.

The firm has been involved in a number of prestigious tunneling projects including: the Channel Tunnel; rail and mass rapid transit systems in Hong Kong, Singapore, Kuala Lumpur, Beijing, California, and London; highway schemes in the United Kingdom and Turkey; power stations in the Middle East and the United Kingdom; hydroelectric schemes in China; and major water and wastewater schemes in the United Kingdom, Hong Kong, and Singapore.

High-Point Rendel operates a fully documented quality assurance system, third-party accredited by Lloyd's Register Quality Assurance, conforming to the international standard ISO-9001: 2000. The company was one of the first United Kingdom consultancy practices to gain this accreditation (in 1990).

Experience

Medway Immersed Tunnel, Kent, United Kingdom – In joint venture, High-Point Rendel was responsible for option studies, preliminary design, preparation of design-build tender documents, and construction supervision on behalf of Kent County Council. The immersed tube tunnel option was selected to avoid impacts to commercial shipping using ports in the area in addition to environmental benefits. Passing under the River Medway, the dual-carriageway road crossing is of overall length 725 meters and has a 460-meter immersed section. Three prefabricated elements were constructed in a specially built casting basin and placed in a trench dredged through alluvial riverbed material to permit the units to found on underlying chalk. The project is only the second such tunnel to be constructed in the United Kingdom.

Western Immersed Tube Railway Tunnel, Victoria Harbour, Hong Kong – Both road and rail (metro) links connect the new international airport at Chek Lap Kok on Lantau Island to the center of Hong Kong. The 34-kilometer metro link necessitated the construction of a 1.3-kilometer immersed tube tunnel traversing Victoria Harbour, a highly congested waterway. Ten prefabricated elements were constructed in a specially built casting basin before placement in a dredged trench. In association with another consultant, High-Point Rendel was responsible for an engineering feasibility study, preliminary design, preparation of contract documents for design-build tenders, and tender analysis. Following contract award, the company performed an independent check of the contractor's design and provided technical advice to the client, Mass Transit Railway Corporation, during construction.

Genova City Centre Crossing Study, Genoa, Italy – High-Point Rendel was engaged by Comune di Genova to consider options for a new crossing to relieve the heavy traffic congestion in Genoa city centre. With streets based on a medieval layout, the city is crossed west to east by only two routes: urban roads alongside the port area and an elevated highway, also around the port. Eight options initially considered were narrowed down to three, comprising an immersed tube tunnel, a bored tunnel, and an elevated viaduct/suspension bridge scheme. As lead consultants of a joint venture, the company was commissioned to undertake a feasibility/options study covering traffic flow, engineering feasibility, construction and operational cost, environmental impact, and private-sector financing options.

Genova Harbour Crossing Reference Design, Italy – In a separate appointment following completion of the options study, Tunnel di Genova SpA commissioned High-Point Rendel to develop the crossing scheme through preliminary design to a reference design level. Both a bored solution and an immersed tube tunnel scheme were designed to a reference design level. Also included were additional investigations of the integration of

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the crossing into the existing road network at both approaches. The appointment will result in the preparation of tender documentation for an international tender process.

Preveza-Aktio Immersed Tube Tunnel, Greece – Constructed in quite shallow water, the immersed tube crossing traverses the mouth of a gulf on the west coast of Greece. High-Point Rendel was appointed by Eupalinos Technical SA/European Commission during the tender review phase to assess contractor bids for design and construction of the 2-kilometer-long tunnel. The company reviewed contractual issues and structural, foundation and coastal aspects of the contractor's design. In 1999, High-Point Rendel was appointed to undertake a comprehensive technical and commercial audit of the project.

Øresund Crossing Immersed Tube Tunnel Risk Review, Denmark/Sweden – Designed as a permanent link between Denmark and Sweden, the 16-kilometer-long Oresund Crossing comprises an immersed tube tunnel from the Danish coast to an artificial island, the artificial island, and a bridge linking the island to the Swedish mainland. The crossing accommodates both road and rail links. High-Point Rendel performed an independent risk assessment of the project's immersed tube tunnel element for the client, an insurance underwriter with potential exposure to the project through an excess layer professional indemnity policy on the design-build contractor. High-Point Rendel had previously undertaken a study assessing the benefits of the crossing to the Swedish economy.

South Hampshire Light Rail Transit Project, United Kingdom – Currently, for a shortlisted consortium tendering for this light rail project, High-Point Rendel is responsible for the design of the 715-meter immersed tube tunnel section of the scheme. The tunnel crosses underneath a major element of Portsmouth harbor.

Immersion Tube Tunnel, Thessaloniki, Greece – High-Point Rendel is undertaking tender design appointment on behalf of a contracting consortium tendering for the design and construction of a 3-kilometer-long urban road that includes a 1.2-kilometer-long, dual 3-lane carriageway, immersed-tube tunnel across the harbor.

Third Bosphorus, Turkey – High-Point Rendel has been selected to undertake an engineering risk review of this 13-kilometer-long underground mass transit system linking the European side of the Bosphorus to the Asian side. The scheme includes cut-and-cover tunnels and stations, bored tunnels, and a 1.5-kilometer-long immersed-tube tunnel.

AMERICAN BRIDGE COMPANY

Company Description

American Bridge Company (AB) is a vertically integrated engineering, manufacturing, and construction company that specializes in technically and logically complex projects, primarily in the transportation market. Founded in 1900 through the J.P. Morgan-led consolidation of 28 of the nation's largest bridge building companies, AB took on the most complex bridge projects simultaneously all over the world.

American Bridge has a long history in the Chesapeake Bay region and in Virginia. The Virginia Bridge Division, which began operating in Roanoke in 1889, fabricated many bridges and structures throughout the state before closing in 1965. AB constructed the original York River swing bridges in 1952, then the largest in the world. The company played a major role in the construction of the first Chesapeake Bay Bridge Tunnel, fabricating and delivering the sunken tunnel sections, and fabricating and erecting the bridge structures. AB was general contractor for the second Chesapeake Bay Suspension Bridge at Annapolis, one of the largest single contracts undertaken to that point.

AB's commitment to Virginia and active involvement in the regional construction market continues today. American Bridge, partnering with McLean Contracting, is currently underway with the \$55 million Pier 7 project for the U.S. Navy at Norfolk. AB is also leading the joint venture constructing the \$186 million bascule spans portion of the new Woodrow Wilson Bridge, and is a participant in the \$191 million Maryland approach structures. AB maintains a full-service operating office in Williamsburg, and has project offices in Norfolk and Alexandria.

American Bridge's long experience with concrete technologies comprises the innovative precast box girder monorail facilities at Disney World, with curved sections, and Sunshine Skyway Bridge, the longest precast segmental concrete span in the U.S. The company is also building post tensioned, cast-in-place concrete boxes for the Woodrow Wilson Bascule piers, and for the Orlando Airport inter-terminal people mover project. AB is also active in the field of marine construction. In addition to the U.S. Navy Pier 7, the company is undertaking marine foundation and structures projects for the Port of Tampa, the Virgin Islands Port Authority, the Port of Marsh Harbor, and projects for the Navy at Key West and at Pier 8 in Norfolk.

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Experience

U.S. Navy Pier 7, Norfolk, Virginia – American Bridge in partnership with McLean Contracting recently completed a \$55 million, double-deck berthing pier measuring 456 meters x 28 meters for the U.S. Navy. The new pier is supported on 400-inch x 36-inch centrifugally cast concrete cylinder piles with precast pile caps. The lower deck is constructed of precast concrete panels with cast-in-place concrete infill. Cast-in-place columns and beams support the cast-in-place upper deck. Construction included the supply and installation of complete fendering systems, bollards, and cleats. Two 428-meter x 52-meter, 1940's era berthing piers and their concrete piles were demolished. The footprints of each pier were dredged to approximately 12 meters below sea level elevation, creating 400,000 cubic meters of removed material. The scope also includes construction of 191 meters of new concrete sheet pile bulkhead and relieving platform founded on 18-inch square concrete piles.



Woodrow Wilson Bascule Spans, Alexandria, Virginia – An American Bridge-led joint venture is constructing the main three spans of this new 35-span crossing that has an eight leaf trunnion bascule mainspan of 270 feet (82.29 meters) and flanking spans of 144.5 feet (44 meters). The bridge is 12 lanes wide. The piers are “V” shaped cast-in-place, post tensioned concrete box sections. The superstructure is steel plate girders and floor beams with a cast-in-place 7 ½-inch lightweight concrete deck. The project includes the fabrication and installation of all operating machinery, and construction of the operator’s house.



Woodrow Wilson Bridge, Maryland Approach Structures – American Bridge in a joint venture is constructing 3,300 linear feet of dual-fixed approach spans for the eastern end of the bridge, including the Maryland abutment, one pier foundation, all “V” piers, the fender ring around the bascule piers, the steel superstructure, and demolition of the existing

bridge. The 13 “V” shaped piers are made from precast segmental concrete box sections., cast in the joint venture-owned casting yard. The deck superstructure is steel plate girders, with a cast-in-place concrete deck.

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Chesapeake Bay Bridge II, Chesapeake Bay, Annapolis, Maryland – American Bridge

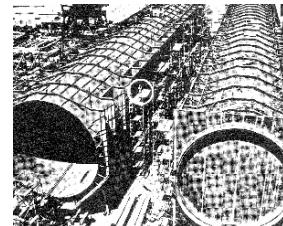


held the general contract for the superstructure for this 32-span, 14,500-foot bay crossing that includes a 2,950-foot suspension bridge with a 1,600-foot main span. This contract included all work on the bridge above the concrete piers. The suspension bridge has steel towers. The deck truss is supported by the main cables fabricated from 61 preformed parallel wire strands (PPWS). Roadway surface is a 6½-inch cast-in-place concrete. The crossing also

has a secondary channel through cantilever truss span of 1,719-foot, including a main span of 780 feet. AB fabricated and erected all structural steel and manufactured the PPWS strands, in addition to serving as general contractor for the superstructure contract.

Chesapeake Bay Bridge Tunnel, Chesapeake Bay, Virginia –

American Bridge fabricated the double-skinned tunnel sections that are approximately 300 feet long; and towed the sections to Chesapeake Bay, Virginia, for installation in a dredged channel in the bay.



Chesapeake Bay Bridge Tunnel-Bridge Portion, Chesapeake Bay, Virginia – AB fabricated and erected two bridges on the Chesapeake Bay Bridge Tunnel aggregating 4,273 feet. The North Channel Bridge, a 17-span, 2-lane plate girder bridge with a through-truss main span, comprises four 4-span continuous riveted girder units (196 feet-240 feet-240 feet-196 feet), 21-foot center-to-center girders, flanking one 325-foot simple through truss span riveted with floor beams, stringers, bearings, and lateral system 35-foot CC trusses. The truss and five spans were assembled on barges and floated in. Fisherman's Inlet Bridge is a 3-span continuous welded girder structure (140 feet-180 feet-140 feet).



MacArthur Causeway, Miami, Florida – American Bridge constructed the twin, \$43 million, 3-lane, 18-span AASHTO Bulb “T” bridges to replace the existing causeway. Installation of 17 foundations included 13 underwater with 78-inch x 84-inch cased-drilled shafts, and 4 on land with 48-inch x 48-inch drilled shafts. Bottom of shaft caps were one foot below MLW. The new bridge has 3 spans x 112 feet, 3 feet x 130 feet, and 12 feet x 145 feet.

The Bulb “T” girders were stressed in 3- to 4-span units in two stages: after erection and

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after placement of the cast-in-place deck. Provisions for future transit included installation of foundations and establishment of geometrics.



Orlando Airport Peoplemover – This design-build project involves the construction of an 18-span 2,612-foot (796-meter) elevated guideway for automated peoplemover trains, plus a small portion of at grade guideway construction. The elevated portion includes 16 spans of post tensioned, cast-in-place trapezoidal concrete box girders, one span of steel through plate

girders, and one steel beam span. Piers are cast-in-place concrete resting on concrete pile caps. Piles are steel pipe.

Sunshine Skyway Bridge, Tampa Bay, St. Petersburg and Bradenton, Florida – AB, as part of a joint venture, was the general contractor for the Sunshine Skyway main bridge and high-level approaches. The bridge was one of the first cable-stay bridges to attach cables to the center of its roadway instead of the outer edges to allow motorists unobstructed views of Tampa Bay.

Construction of the 2,700-meter precast segmental bridge comprised three major parts:

- 1,481 meters of twin, 13-meter-wide segmental roadways with typical 41-meter spans, erected by the span-by-span method.
- 524 meters of single, 26-meter-wide high-level post tensioned segmental roadway of typical 73-meter spans, also erected by the span-by-span method.
- A 695-meter by 26-meter-wide precast segmental cable stayed main bridge with a 366-meter main span, erected by the balanced cantilever method, with a single plane of site-fabricated, steel tube enclosed stays. The bridge towers are hollow box, post tensioned precast segmental concrete.



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Freeport Ship Care Facility, Freeport, Bahamas – AB provided design-build services for this ship repair facility, including construction of an 11-span, 496-foot x 66-foot (20 meter x 151.8 meter) dual gantry crane pier made from AASHTO Type III girders, 300 linear feet of steel sheet pile, concrete cap bulkhead, 4 drydock mooring dolphins, 4 ship mooring dolphins, 16 bollards, a dolphin access catwalk, and 22 ship fenders. Landside site development for an 18.3-acre site included a 110-foot x 750-foot paved storage area, 1,325 linear feet of roadways, 1,400 linear feet of utility bank, and workshop and office buildings.



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McLEAN

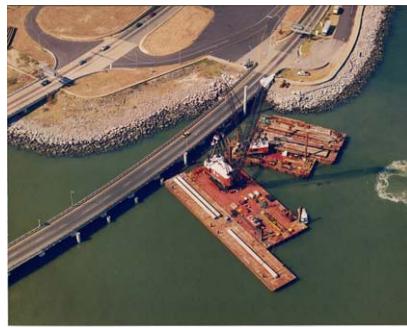
Company Description

Founded in 1903, McLean Contracting Company has performed an extensive range of land-based and marine construction for both public and private customers. McLean has a strong tradition of integrity, efficiency, preparedness, and excellent employee relations. The company's resources include staging and repair yards in Norfolk, Virginia, and Baltimore, Maryland. An integral part of all of McLean's projects is its commitment to the safety of its workers and others and to the environment. An employee-owned company, McLean has always been committed to its best asset, its employees, as evident by its many second and third generations of employees dedicated to their work. Project managers and superintendents range from 10 to 40 years of experience with McLean Contracting Company, and assistant superintendents and field engineers range from 2 to 26 years of experience with the company.

Through most of its 100-year history, McLean has maintained an excellent relationship with the Virginia Department of Transportation. This relationship is demonstrated by McLean's continual scores in a range from 84 to 109.4 out of 100 points on VDOT's Form C36, Contractor's Performance Reports. McLean's most recent C36 performance evaluation score was 105.95 for the grid deck replacement on the Woodrow Wilson Bridge, Project No. 0095-100-104-B618, in Alexandria, Virginia.

Experience

Recent VDOT Bridge Projects over Water



Hampton Roads Bridge Tunnel Widening
Norfolk, Virginia
New AASHTO Girder Spans on Cylinder Pile



Lafayette River Bridge
Norfolk, Virginia
New AASHTO Girder Bridge on Cylinder Pile

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Rappahannock River Bridge
Whitestone, Virginia
Deck Replacement



Woodrow Wilson Bridge
Alexandria, Virginia
Grid Deck Replacement

Other Significant Bridge Projects



Kent Narrows Bridge
Maryland State Highway Administration

- AASHTO Girders
- Cast-in-Place Deck



Choptank River Bridge
Maryland State Highway Administration

- 54-inch and 66-inch Cylinder Pile
- Precast Caps
- AASHTO Girders
- Cast-in-Place Deck



**I-895 Bridge over James River and I-95
including Ramps**
Virginia Department of Transportation
Substructure and Ramp Superstructure



**Rt. 104 Bridge over Southern Branch
Elizabeth River**
City of Chesapeake, Virginia
Superstructure Replacement

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Major Cylinder Pile Projects

36-inch Cylinder Pile Projects

- I-695 over Back River, Baltimore, Maryland
Maryland State Highway Administration
- Lafayette River Bridge, Norfolk, Virginia
Virginia Department of Transportation
- Peninsula Expressway Bridge
Maryland State Highway Administration
- South Pier and Trestle
Yorktown Naval Weapons Station

42-inch Cylinder Pile Project

- Sassafras River Bridge, Eastern Shore, Maryland
Maryland State Highway Administration
- Choptank River Bridge, Cambridge, Maryland
Maryland State Highway Administration
- Bohemia River Bridge, Eastern Shore, Maryland
Maryland State Highway Administration
- Hampton Roads Bridge Tunnel Widening,
Norfolk, Virginia
Virginia Department of Transportation
- Severn River Bridge, Annapolis, Maryland
Maryland State Highway Administration

54-inch Cylinder Pile Projects

- Choptank River Bridge, Cambridge, Maryland
- Choptank River Bridge, Cambridge, Maryland
Maryland State Highway Administration

54-inch Cylinder Pile Bents

66-inch Cylinder Pile Project

BRANCH HIGHWAYS

Company Description

Branch Highways, Inc. (BHI), and E. V. Williams, Inc. (EVW), are wholly owned subsidiaries of The Branch Group, Inc., an employee-owned Virginia corporation.

BHI has been contracting the construction of infrastructure works since being founded in the mid-1950s. E. V. Williams has been building civil construction works since 1941. This business experience has covered civil construction works in Virginia, North Carolina, Tennessee, Pennsylvania, West Virginia, and Mississippi. BHI's and EVW's contracts with both public and private owners have included numerous large and complex projects such as the Military Highway Chesapeake, Newport News Interstate 64 HOV Lanes, Interstate 81 Christiansburg Interchange, Rt. 288 PPTA Richmond, Rt. 460 Interchange Blacksburg, and the Chippenham Parkway Interchange Richmond.

BHI, EVW, and The Branch Group of related companies typically maintain bonded contracts in progress that total more than \$500 million, with a \$200 million backlog. BHI and EVW are two of four subsidiary companies comprising The Branch Group, Inc., which has been listed by *Engineering News-Record* as a Top 400 U.S. Contractor for the last 15 years. Throughout their history and experience with VDOT, BHI and EVW have an unmatched level of success in completing large, complex projects and finishing on schedule to the owner's satisfaction. BHI's heavy equipment investment is valued at more than \$35 million, and its program of preventive maintenance and asset management is considered significantly better than the industry average.

Experience

Route 288 Project, Richmond, VA – BHI completed both roadway and bridge portions of this new bypass in 2003. The project was constructed under Virginia's PPTA program. Branch operated as a subcontractor to APAC-Virginia and United Contractors. BHI's portion of the work consisted of a 1.5-mile section of 4-lane divided highway and the Bernard's Creek Bridges through sensitive wetland areas.

Roanoke Regional Airport Authority – BHI recently completed three projects for the Roanoke Regional Airport Authority within FAA-controlled airfields. The projects were for apron enlargement and modification, taxiway relocation and widening, drainage improvements, and upgrades to current FFA standards. These projects required higher than typical highway design construction quality criteria, night-time sequenced construction to avoid peak air traffic needs, concrete pavements, asphalt taxiways and runways, contract

Tab 1: Qualifications and Experience
1-b.1 Experience with Similar Projects and Company Descriptions

modifications, and close coordination with contractor-managed design and surveying consultants.

Route 58 Improvements (PPTA), Patrick and Carroll Counties, Virginia – BHI is the prime contractor for this 37-mile project between Stuart and Hillsdale under Virginia's PPTA program. BHI has turnkey responsibility for design, construction, permitting, ROW, utility relocations, CEI, extended warranties, performance standards, and development of financing plans. The project, when completed will improve this section of Route 58 from a 2-lane mountain road to a 4-lane freeway at an estimated total cost of \$359 million. Phase 1, Meadows of Dan Bypass, is currently under construction.

John H. Cocke Memorial Bridge, Bremo Bluff, Virginia – BHI completed this major new bridge on Route 15 in 2001. The new bridge and approach work spanned both the James River and the adjacent CXS rail lines. Final contract was \$10,783,683.

Route 58 Bypass, Pittsylvania County, Virginia – BHI completed the final section of the Route 58 bypass around Danville, VA in 2003. The project consisted of both roadway with four new overpass bridges. Project scope included grading, drainage, erosion control, and pavements. VDOT's Final performance Report awarded BHI a 100 percent rating in all categories of performance. Final contract amount was \$18,682,282.

I-81 Interchange, Montgomery County, Virginia – BHI has completed a new interstate interchange at Exits 118 A, B, and C on I-81 in Montgomery County, Virginia. Significant features include several miles of interstate highway widening (4 lane to 10 lane), multiple parallel CD roads, 8 bridges, 1.5 million cubic meters of earth and rock excavation, 2.5 miles of noise barrier wall, and extensive overhead signage. This contract, valued at more than \$50 million, was partnered successfully with the VDOT and critical schedules met. HNTB participated in the CEI phase of this project.

BEAR, STEARNS & CO. INC.

Company Description

Bear, Stearns & Co. Inc. is a leading global investment banking, securities trading, and brokerage firm with more than \$15.5 billion in capital. The firm's businesses include underwriting, sales and trading activities, financial advisory services, real estate finance, securities research, and asset management. Bear Stearns has devoted a significant amount of resources to assisting public and private entities in the development and implementation of financing strategies for infrastructure projects, particularly in the area of surface transportation. Founded in 1923, Bear Stearns currently has 20 offices worldwide and employs approximately 10,500 people serving federal, state, and local governments and agencies; foreign governments and agencies; and domestic and foreign corporations, institutions, and individuals. Its parent company is The Bear Stearns Companies Inc. (NYSE: BSC).

Experience

Route 895, Pocahontas Parkway, Richmond, Virginia – In June 1998, Bear Stearns served as senior managing underwriters for \$353 million of tax-exempt toll revenue bonds issued to finance the design and construction of the Route 895, Pocahontas Parkway. The bonds were issued by the Pocahontas Parkway Association, a nonprofit organization created to service as a conduit for the bond financing. Bear Stearns helped secure investment grade ratings on the senior project debt from three rating agencies (the first time a start-up nonrecourse toll project has received a rating from more than one agency before issuance). Because of the risks associated with project financings and the unique structure of the transaction (more than 50 percent of the debt was structured as capital appreciation bonds callable in 10 years), the bond offering was limited to qualified institutional investors. To ensure sufficient demand for the bond, a successful pre-sale marketing effort was undertaken resulting in virtually every institution with an interest in high-yield tax-exempt debt and/or Virginia tax-exempt securities approving the credit for purchase.

Northwest Parkway Project, Denver, Colorado – Bear Stearns recently handled the first financing for the Northwest Parkway, a public highway authority under State of Colorado law. The authority sought to implement the plan of finance in order that an accelerated schedule could be met to permit the highway to open to traffic by year-end 2003. Bear Stearns serves as co-senior manager for more than \$400 million of tax-exempt toll revenue bonds issued to finance the design and construction of the Northwest Parkway. The parkway is an extension of the E-470 beltway in Denver from I-25 (approximately 10 miles north of I-70) west and south through the City of Broomfield to U.S. 36, the

Tab 1: Qualifications and Experience
1-b.1 Experience with Similar Projects and Company Descriptions

Boulder Turnpike. The financing team secured investment grade credit ratings for the senior lien project debt and received bids from bond insurers to provide credit enhancement.

E-470 Toll Road, Denver, Colorado – The professionals in Bear Stearns' public-private ventures group have been the lead bankers for the E-470 Public Highway Authority for more than a decade. In 1995, they structured and successfully marketed \$640 million of debt that funded the design and construction of approximately 29 miles of a 46-mile tolled beltway. The 1995 financing was recognized by Institutional Investor magazine as a "Project Finance Deal of the Year." The financing team secured credit enhancement for a \$822 million refinancing of the project debt in 1997 that produced substantial debt service savings and eliminated certain restrictive bond covenants. That transaction facilitated a \$358 million financing in April 2000, underwritten by Bear Stearns, which funded construction of the final 12-mile segment of the project. In May 2001, Bear Stearns closed an innovative transaction involving variable rate securities and an interest rate swap that will enable the authority to stop collecting vehicle registration fees eight years earlier than anticipated.

Tab 1: Qualifications and Experience
1-b.1 *Experience with Similar Projects and Company Descriptions*

KEMPER CONSULTING, INC.

Kemper Consulting is one of the largest governmental relations firms in Virginia. With offices in Richmond and in the Hampton Roads region, Kemper Consulting combines more than 40 years of governmental relations experience and more than 24 years of legislative experience of its principals comprising veteran lobbyists, former senior legislators, former members of recent administrations, and experienced consultants. Specializing in consulting on transportation initiatives and public-private partnerships, the firm represents public and private corporations, large trade associations, and governmental entities before state governmental agencies and the Virginia general assembly. Kemper Consulting has extensive experience with the Public-Private Transportation Act (PPTA). Consultants in the firm have been involved with a number of projects submitted pursuant to the PPTA, including the Pocahontas Parkway (Route 895 Connector), Route 28, Route 288, Interstate 81, and other PPTA proposals.

WILLIAMS MULLEN

With offices in Norfolk, Virginia Beach, Newport News, Richmond, Charlottesville, Northern Virginia, and Washington, D.C., staffed by more than 300 attorneys, Williams Mullen is one of the largest providers of legal services in the Commonwealth. Williams Mullen has provided comprehensive legal services to business and industry, financial institutions, and individuals for more than 90 years. Williams Mullen services include a special strength in serving the transportation sector and as legislative counsel to the Virginia Road and Transportation Builders Association. Having excellent working relationships with the Virginia Department of Transportation, other state officials, and local government leaders, members of the firm have worked in current or former administrations especially within the transportation policy area or served as appointed members to transportation policy boards. Williams Mullen also has experience with the Public-Private Transportation Act (PPTA). In a prior pairing with Fluor, the firm worked extensively on the only construction project to be completed under the PPTA, the Pocahontas Parkway (Route 895 Connector). Additionally, they were involved in proposals for Route 28, Route 288, and Interstate 81 with Fluor, and represented team member Branch Highways in the preparation, negotiations, and execution of the comprehensive agreement for the Route 58 PPTA.

1-b.2 KEY PERSONNEL

For the proposed Third Hampton Roads Crossing project, Fluor offers the following key personnel, many of whom are known to VDOT. Combining their proven design-build experience on Route 895 with their experience in major complex tunnel, road, bridge design, and construction provides VDOT with a focused team possessing substantial knowledge to successfully deliver the Third Hampton Roads Crossing project.

Name	Project Function
Herbert W. Morgan, P.E.	Project Director
Gary L. Groat	Project Development
Robert B. Newman, P.E.	Design Management
Derek Penrice, P.E.	Tunnel Design
David P. Thompson, P.E.	Bridge and Road Design
Steven G. Kilcrease	Construction Management
George E. Biediger	Project Financing
David H. Klings, Jr.	Financial Program
Marianne M. Radcliff John-Garrett Kemper Ralph L. "Bill" Axselle, Jr.	Government Relations and Community Outreach

Resume summaries for these individuals follow.

Herbert W. Morgan**Project Director**

Mr. Morgan has 29 years of experience in the engineering and construction industry. He is experienced in managing highway, road, and bridge construction for major expressways and for multiple-facility complexes. As project director, he is responsible for the ROC 52 project in Minnesota following completion of the Pocahontas Parkway in Virginia. Mr. Morgan is also president of both the FD/MK LLC venture selected to deliver the privately financed, design-build, Virginia toll road project and the Zumbro River Constructors LLC venture selected for ROC 52, the largest best value and one-time road project let by the Minnesota Department of Transportation. His extensive experience includes design engineering management on food and consumer products facilities, construction management of a large medical complex; and project management encompassing planning, final design, scheduling, procurement and contract administration, quality assurance and control, construction, and safety. He has been with Fluor for 27 years.

Specific Experience**Project Director, Minnesota Department of Transportation ROC 52 Project, Rochester, Minnesota**

Mr. Morgan has responsibility for the overall management of design, scheduling, procurement, construction, and administrative functions of the project team along with coordination with the Mn/DOT and the City of Rochester. The \$232 million project represents the largest best value design-build and one-time highway project let by the Mn/DOT.

Project Director, Virginia Department of Transportation Pocahontas Parkway, Richmond, Virginia

Mr. Morgan was responsible for the overall management of design, right-of-way acquisition, scheduling, permitting, procurement, construction, and administrative functions of the project team along with coordination with the Virginia Department of Transportation (VDOT) and local jurisdictions. The \$324 million privately financed project consists of a new high-level crossing of the James River, a major freeway to toll road elevated interchange, and approximately eight miles of roadway. The Pocahontas Parkway is currently the largest single construction project and the first major design-build highway project under the Public-Private Transportation Act undertaken by VDOT.

Construction Manager, Philip Morris Cabarrus Expansion, Concord, North Carolina

Mr. Morgan managed all field activities involved in the construction management of major additions to a tobacco processing facility. He assisted in preparation of master project schedules; supervised civil, architectural, mechanical, and electrical contract engineers; and monitored contractors' staffing and equipment against approved schedules for this \$400 million expansion.

Construction Manager, King Abdulaziz University Health Sciences Center, Jeddah, Saudi Arabia

Mr. Morgan was responsible for all field operations related to construction management of the Health Sciences Center and main campus comprising an 800-bed teaching hospital, clinics, medical and dental academic areas, housing, administration facilities, commercial centers, a sports complex, and recreational facilities. These \$700 million facilities required major site infrastructure such as highways, diversions, new interchanges, extensive parking, walkways, and roadway systems.

Construction Engineer, RMA Expressway, Richmond, Virginia

For this major commuter highway, he was responsible for management of contracts for bridges and pavement, as well as inspection of bridge and retaining walls and concrete pavement.

Education: Bachelor of Science, Civil Engineering, Virginia Polytechnic Institute and State University

Registration: Professional Engineer, Virginia and Arizona

Gary L. Groat**Project Development Manager**

Mr. Groat has more than 30 years' experience in the planning, alternatives analysis, and management of major infrastructure projects, including corridor studies, preliminary engineering, and public participation programs for planning and transportation projects throughout the United States. Project types have included urban development plans, site development planning, highways, rapid transits, railroads, bridges, airports, ports and harbors, environmental assessments, and municipal facilities. In his current position, Mr. Groat leads the effort to develop transportation facilities in partnership with public agencies from identifying the project through design development. He is a past president of ARTBA's Planning and Design Division.

Specific Experience**Director, Project Development, Fluor Infrastructure Group**

Mr. Groat is responsible for developing public-private transportation partnerships starting with project identification, win strategy, and teaming through design development. He concentrates his development efforts in the Virginia-Washington, D.C., area, and is the development project manager for two pending VDOT PPTA proposals, Capital Beltway HOT Lanes and I-95/395 BRT/HOT Lanes.

Vice President and Mid-Atlantic Division Manager, Jacobs/Sverdrup

Mr. Groat was responsible for office management, new client marketing and served as project executive for numerous highway and bridge projects including:

- VDOT-Dulles Toll Road (HOV) widening, I-895/I-295 Richmond Connector, Manassas Bypass (VA Route 234), Charlottesville/US Route 29 bypass corridor study
- Prince George's County, Maryland—design-build consultant selection/CM assistance
- SCUDOT-Conway Bypass corridor study and final design, Cooper River bridges (US Route 17) replacement design and rehabilitation of existing bridges, Stono River (Maybank Highway) Bridge feasibility study and design
- NCDOT-Elizabeth City (US Route 17) bypass corridor study
- Albemarle County, Virginia-Meadowcreek Parkway feasibility study and design
- City of Virginia Beach—program manager for design and CM of new street program
- DELDOT-widening of US Route 141, Brandywine Creek Bridge design
- DCDPW—Sousa Bridge (Pennsylvania Avenue) construction management, Barney Circle/Anacostia River Bridge substructure design, M Street and New York Avenue bridges construction management

Vice President and Virginia Office Manager, Parsons Transportation Group

Mr. Groat was responsible for office management, business development, and project management including involvement in design/planning projects such as Wiehle Avenue design, downtown Norfolk (Route 460) corridor study, McIntire Road extension, Charlottesville corridor study for VDOT; I-695 Baltimore Beltway widening study, US Route 50 corridor studies for Vienna, Cambridge, and Salisbury, widening of Route 7 for MDSHA; Colorado Street Bridge restoration study for City of Pasadena; and Raritan River Bridge replacement study for NJDOT.

Education: Master of Science, Urban and Regional Planning, University of Wisconsin
Post-Graduate Diploma, Urban Design and Regional Planning, University of Edinburgh
Bachelor of Architecture, University of Illinois

Registration: Professional Architect, Washington, D.C.
Professional Planner, New Jersey

Robert B. Newman, P.E.**Design Manager**

Mr. Newman is director of engineering for HNTB's Arlington, Virginia, office. He has extensive transportation and public-sector experience. At present, he is project manager for the \$400 million I-95/I-395/I-495 Interchange improvement in Northern Virginia for the Virginia Department of Transportation. Scope of work includes conceptual design, environmental assessment, and preliminary and final design, including signing, lighting, and ITS elements.

Specific Experience**Project Manager, Virginia Department of Transportation Extension of I-95 HOV Lanes, Northern Virginia**

For the extension of HOV lanes 20 miles on I-95, Mr. Newman is responsible for the preliminary design, final design, and preparation of construction documents for roadway drainage, bridges and retaining walls, lighting, signing, signalization, and all TMS elements, including variable message signs, closed-circuit television, gates, incident detection, and control center.

Project Manager, Woodrow Wilson Memorial Bridge Surveillance and Control Systems, Washington, D.C.

Mr. Newman directed the engineering scope of work that included a surveillance and control system incorporating 9 closed-circuit television cameras and 26 variable message signs along the approaches to the bridge and a fiber-optic cable

Project Manager, I-665 Monitor-Merrimac Tunnel, Newport News, Virginia

Scope of work included \$12 million traffic control system associated with the new tunnel. Elements of the project included fixed and variable message signs, roadway lighting, pavement detectors, CCTV surveillance, lane control, signals, and a traffic control center.

Project Manager, I-395/I-66 Traffic Management System, Northern Virginia

Mr. Newman managed the design and construction services for \$26 million traffic management system. Elements of the project included fixed and variable message signs, CCTV surveillance, pavement detectors, ramp metering, and a traffic control center.

Project Manager, West Virginia Parkway's 30-Year Master Plan

As project manager, Mr. Newman was responsible for the development of conceptual plans and budgets for various aspects of turnpike operations, including traffic management systems, toll facilities system, building facilities plan, and pavement and bridge plan for this 88-mile toll road.

Project Engineer, I-395 Shirley Highway Improvements, Northern Virginia

Mr. Newman prepared the studies and final design for the 11-mile section from Springfield to the 14th Street Bridge at the Potomac River. Included in this 11-mile section were 8 full interchanges. The I-395 reversible lanes represented the first time in this country that a roadway was exclusively dedicated to HOV usage.

Education: Bachelor of Science, Civil Engineering, Polytechnic Institute of New York

Registration: Professional Engineer, Virginia, Maryland, North Carolina, New York, and District of Columbia

Affiliations: Virginia Road and Transportation Builders Association, Council of Engineering Companies of Metropolitan Washington, American Road and Transportation Builders Association

Derek Penrice, P.E.**Tunnel Design**

Mr. Penrice has 15 years of experience in engineering of major transportation infrastructure projects procured by traditional and design-build methods, including 10 years of planning, design, inspection, and construction services for tunnels and underground structures. He has extensive experience in the planning, design, and construction of highly specialized concrete and steel immersed tube tunnels (ITTs) gained in Europe, the Far East, and North America, and significant experience in the design and construction of cut-and-cover tunnels, and support of excavation.

Specific Experience

- **Strait of Belle Isle Crossing, Labrador-Newfoundland, Canada.** Project engineer for ITT components of a prefeasibility study for the strait's crossing. At 18-km wide and with water depths of up to 100 meters, the ITT will be by far the longest and deepest ever constructed.
- **Gravina Access Project, Ketchikan, Alaska.** Specialist adviser on constructability and cost estimate for a 2,700-foot, two-lane highway ITT linking Ketchikan and Gravina Island.
- **Fraser River Crossing, Translink, Vancouver, British Columbia.** Project engineer for ITT components of due diligence and feasibility studies for major river crossing comprising a 3,000-foot, 6-lane highway tunnel in seismically active area
- **Cross Harbor Freight Movement, NYCEDC, New York, New York.** HMM project engineer, and subsequently project manager for DEIS/preliminary engineering for a \$1.8 billion rail freight tunnel linking Brooklyn and Jersey City. Developed options for concrete/steel-composite ITTs for full and partial harbor crossings, and cut-and-cover land connections
- **North Shore Connector LRT, Port Authority of Allegheny County, Pittsburgh, Pennsylvania.** Project engineer for ITT alternatives study for 1,000-foot crossing of the Allegheny River as part of \$80 million extension of existing light rail system.
- **Fort Point Channel Immersed Tube Tunnel, Massachusetts Turnpike Authority, Boston, Massachusetts.** Design team leader for the \$350 million Fort Point Channel ITT, the first rectangular concrete ITT constructed in the United States
- **River Lee Immersed Tube Tunnel, Cork Corporation, Cork, Ireland.** Structural lead for 2,000-foot ITT section and approaches for \$105 million design-build highway crossing of the River Lee.
- **Øresund Immersed Tube Tunnel, Øresundkonsortiet, Denmark/Sweden.** Structural engineer for bid design competition for \$675 million, 2.3-mile ITT forming part of fixed link between Denmark and Sweden on behalf of a multinational joint venture contractor
- **Lantau and Airport Railway Immersed Tube Tunnel, Mass Transit Railway Corporation, Hong Kong.** Structural engineer for \$90 million design-build project involving a twin cell rapid transit tunnel crossing of Victoria Harbor, forming part of the continuous link between Chek Lap Kok Airport and Hong Kong Island.

Education: Bachelor of Engineering, Civil Engineering, Heriot-Watt University, United Kingdom

Registration: Professional Engineer, Virginia, Massachusetts, Maryland, Maine, Pennsylvania, Vermont
Chartered Engineer, United Kingdom

Affiliations: Member, American Society of Civil Engineers
Member, American Underground Construction Association
Member, Institution of Civil Engineers, United Kingdom

David P. Thompson, P.E.**Bridge and Road Design**

Mr. Thompson with 24 years of experience working on Hampton Roads engineering projects has in-depth knowledge of Virginia Department of Transportation design processes, policies, and procedures. His extensive project experience includes bridges, marine structures, buildings, and site developments, as well as tunnel and transit programs. As senior vice president for Baker, he has responsibility for all aspects of the company's transportation projects in the southern region.

Specific Experience

- **US 460, Buchanan County, Virginia.** Project officer for alignment study, preliminary and final roadway design, and right-of-way (ROW) and construction plans for reconstructing and widening 2.8 miles of Route 460 through downtown Grundy. The project, associated with the U.S. Army Corps of Engineers flood damage improvement plan, includes the hydraulic, hydrologic, and river mechanics analysis, and layout and administration of the borings, and preparation of a design report.
- **Route 288, Powhatan County, Virginia.** Project officer for the design of a 3.5-mile section on new location having the mainline designed as four lanes on an ultimate six-lane right-of-way. The project includes an interchange with Route 71, a 1,460-foot wetland crossing, and a 3,700-foot major structure across the James River.
- **Route 340, Page and Warren Counties, Virginia.** Project officer for the design and development of ROW and construction plans for the replacement of four bridges proposed as continuous steel plate girder, including curved, with lengths from 260 to 460 feet.
- **George P. Coleman Bridge over the York River, Gloucester and York Counties, Virginia.** Design manager/lead structural engineer for the replacement and widening of the substructure and superstructure of the approach spans. After performing fatigue analysis to determine original superstructure's remaining useful life and investigating steel and concrete alternatives, final design completed for AASHTO girders made continuous for live load. Original substructure supporting two lanes was widened to accommodate six lanes of traffic.
- **Jordan Bridge, Chesapeake, Virginia.** Project manager for conceptual investigations for the rehabilitation/replacement of the existing vertical lift structure over the southern branch of the Elizabeth River. Scope included alternatives for high-level fixed (135-foot vertical clearance) and mid-level movable structures. Also considered were vehicular, rail, and marine traffic; available ROW; environmental impacts; and associated costs of respective alternatives.
- **Rinda Creek Bridge, Norfolk, Virginia.** Project manager for replacing a timber-supported structure. Superstructure was designed in both concrete and timber, and detailed staged construction was prepared to maintain traffic at all times.
- **I-895 over the James River, Richmond, Virginia.** Project engineer for conceptual study phase investigated bridge types and materials for the high 135-foot vertical clearance fixed crossing and navigation requirements with the Virginia Pilot Association and other affected agencies.
- **Norfolk Bridge Rating, Norfolk, Virginia.** Rating analyses on 13 concrete and steel bridges as part of annual services contract with Norfolk Department of Public Works.

Education: Bachelor of Science, Civil Engineering, Old Dominion University

Registration: Professional Engineer, Virginia and Kentucky

Affiliations: Member, National Society of Professional Engineers
 Member, Engineers Club of Hampton Roads
 Member, Virginia Road and Transportation Builders Association
 Member, Engineering Consultant Leadership Committee

Steven G. Kilcrease**Construction Manager**

Mr. Kilcrease has 20 years of experience in the construction industry involving complex infrastructure, aviation, commercial, and industrial projects. Currently the deputy project manager on the ROC 52 design-build highway reconstruction, he has managed various design-build, facility management, and program management projects such as the redevelopment of the international arrivals terminal at JFK International Airport, one of the largest public-private partnership projects in the United States, complete management of all facility and real estate operations, and capital improvement projects at Fluor's 1.2-million-square-foot campus, including a complete interior renovation and communications upgrade and the negotiation and management of two 300,000-square-foot tenant design-build efforts. Mr. Kilcrease's experience also includes numerous fast-track construction shopping centers, regional mall renovations, and large warehouse and distribution centers for major national firms.

*Specific Experience***Deputy Project Manager, Minnesota Department of Transportation ROC 52, Rochester, Minnesota**

Mr. Kilcrease has responsibility for the design, scheduling, procurement, construction, and administrative functions of the project team and coordination with Mn/DOT and the City of Rochester. The \$232 million ROC 52 work is the largest best value design-build and one-time highway project let by the Mn/DOT and includes reconstruction and expansion of 11 miles of U.S. Highway 52, 24 bridges, 11 interchanges, a bridge over the Zumbro River, and reconstruction of the entire frontage road system.

Program Manager, JFK IAT, LLC JFK International Arrivals Building, Jamaica, New York

Mr. Kilcrease had total management responsibility of Fluor's project team providing program management services to assist the JFK IAT, LLC, manage the entire project, a \$1.4 billion renovation of the existing International Arrivals Building. Services include managing design, contract procurement, construction management, project coordination, cost, scheduling, change order management, quality assurance and quality control, and safety. The new 1.4-million-square-foot facility was constructed over, around, under, and through the existing Terminal 4 while all terminal operations were ongoing. This work included new building construction, extensive temporary and interior modifications, numerous utility relocations, new at grade and elevated roadways, parking, hydrant fueling, and taxiways.

Facility Manager, Lake Pointe Plaza (Fluor Sugar Land Campus), Sugar Land, Texas

Mr. Kilcrease managed the 351-acre, 1.2-million-square-foot campus consisting of multiple-tenant commercial space, food service operations, banking, and miscellaneous retail facilities. His responsibilities encompassed overall management of capital improvement projects, facility upgrades/developments, building facilities, commercial leasing, and preliminary development of out parcel property. He developed and implemented several large facility upgrades and commercial real estate transactions and buildouts that included:

- Multiple-phased upgrade consisting of complete interior finish, new office furnishings, and infrastructure upgrades to Fluor's 1.2-million-square-foot Houston engineering campus.
- Feasibility study, conceptual design and design-build execution of a new 3-story, 195,000-square-foot parking garage and two 300,000-square-foot commercial tenant interior office space buildouts.

Project Manager, New Market Development Ltd. White Rock Marketplace, Dallas, Texas

Mr. Kilcrease managed the construction for this 300,000-square-foot shopping center with 41 acres of site improvements including building demolition, rock excavation, soil improvements, utility installations, asphalt and concrete paving, and new building construction.

Education: Bachelor of Science, Construction, Louisiana State University

George E. Biediger**Project Financing**

Mr. Biediger, as executive director of Fluor's Project Finance Group, is experienced in the structuring and placement of financing of major engineering and construction projects in the public infrastructure sector and in commercial, institutional, industrial, paper, and electronics industries. To support development and construction of the Pocahontas Parkway (Route 895 Connector), he led the FD/MK financing team in structuring and placing cost-effective, nonrecourse tax-exempt bonds. Mr. Biediger continues to serve on the board of directors of the Pocahontas Parkway Association, a nonprofit organization responsible for the project until bonds are retired. His background also includes strategic planning, corporate planning and development, project development, and commercial banking. He has been with Fluor for 24 years.

Specific Experience**Executive Director, Project Finance Group**

In his present position, Mr. Biediger is responsible for arranging funding of client projects for all business units in Fluor. His responsibilities include financial structuring, marketing support, economic analysis, business planning, and financing placement. He has been responsible for the financial structuring of infrastructure projects totaling more than \$3 billion in value. Responsible for the implementation of public-private financing solutions for the company's Transportation Strategic Business Unit, he has extensive experience in tax-exempt bond financing. He led the financing team that structured and placed cost-effective nonrecourse tax-exempt bonds to support development and construction of the Pocahontas Parkway (Route 895 Connector) project for the Virginia Department of Transportation. His involvement in the project continues as a board member of the Pocahontas Parkway Association. Other relevant project teams on which he has worked include the Conway Bypass in South Carolina, the E-470 toll road in Colorado, the Florida High Speed Rail project, the Bi-Lo Center arena in South Carolina, State Highway 130 in Texas, and State Route SR 125 South in California.

General Manager, Fluor Venture Group

Mr. Biediger was responsible for financial structuring of projects for the industrial sector and the process sector of Fluor. His responsibilities encompassed evaluation of nontraditional risks for the account of Fluor and placement of third-party equity and debt.

Vice President, Commercial Lending

Before joining Fluor, Mr. Biediger was vice president, Commercial Lending, with South Carolina National Bank. He was responsible for relationships with approximately 100 corporate accounts including corporate, real estate, trade, and export lending.

Community Involvement

In addition to serving on the Pocahontas Parkway Association board, Mr. Biediger is officer and board member of Historic Greenville Foundation, a board member of Paris Mountain State Park Friends, and a member of the Transportation Committee of the Greenville Chamber of Commerce. He is also a graduate of the Leadership South Carolina Class of 2000 and has served on many community boards including the Greenville Symphony, The Greenville Ballet, The Greenville Central Area Partnership, St. Joseph's High School, Fall for Greenville, and the Greenville General Hospital Advisory Board.

Education: Master of Arts, Economics, Clemson University
 Bachelor of Arts, Economics, Clemson University
 Certificate, School of Banking of the South, Louisiana State University

David H. Klings, Jr.**Financial Program**

Mr. Klings has more than 18 years of experience as an investment banker and has been responsible for a variety of municipal financings. As managing director, Public-Private Ventures Group, he leads an effort within Bear Stearns to privately develop and finance public-use infrastructure projects, with a focus on transportation facilities. His experience includes four toll revenue bond issues for the E-470 Public Highway Authority in Denver, Colorado, totaling more than \$2 billion; the Southern Connector toll road in South Carolina; and the Pocahontas Parkway in Richmond, Virginia. Other private finance experience includes the Atlanta Federal Center, a public-private development of a new federal office building in Atlanta, Georgia. He was responsible for the refinancing of the Dulles Greenway, which had been in default on \$300 million in debt. Mr. Klings is the lead banker for private sector efforts to develop rail service from metro Washington to Dulles Airport and a new bridge linking Detroit, Michigan and Windsor, Canada, and to introduce express lane service to C-470 in Colorado. Before joining Bear Stearns, he was with Lehman Brothers where he had overall responsibility for the firm's public finance activities throughout much of the Mid-Atlantic region.

*Specific Experience***Lead Banker, The Pocahontas Parkway, Richmond, Virginia**

Mr. Klings was one of the lead bankers for \$353 million of tax-exempt toll revenue bonds issued to finance the design and construction of the Pocahontas Parkway, an 8-mile limited-access tollway and high-level bridge crossing the James River southeast of Richmond, Virginia. The Pocahontas Parkway is currently the largest single construction project and the first major design-build highway project undertaken by the Virginia Department of Transportation.

Lead Banker, E-470 Toll Road, Denver, Colorado

Mr. Klings was one of the lead bankers responsible for development and implementation of \$650 million revenue bond financing in 1995 of this start-up toll road that serves as a beltway around eastern Denver. He subsequently structured and secured credit enhancement for an \$822 million refinancing of the project debt in 1997. In 2000, he senior-managed a \$358 million long-term financing of the fourth segment of the highway. The fourth toll revenue bond issue proposed and implemented was a floating to fixed-rate refunding of \$49.3 million of the E-470 Public Highway Authority's bonds backed by motor vehicle registration fees in 2001, achieving both debt service reductions as well as shortening the final maturity of the bonds by eight years.

Lead Banker, Southern Connector, Greenville County, South Carolina

Mr. Klings served as a lead banker for a joint venture that competed for and won the right to design, construct, finance, and operate a 16-mile toll road along the southern perimeter of Greenville, South Carolina. The joint venture was composed of a private development team and a not-for-profit organization created to facilitate the financing of the project by issuing approximately \$200 million of nonrecourse, tax-exempt toll revenue bonds.

Lead Banker, Dulles Greenway, Loudoun County, Virginia

Mr. Klings structured and marketed a \$332 million refinancing of debt issued by Toll Road Investors Partnership II, L.P., a special-purpose Virginia limited partnership created in 1993 to develop, construct, and operate a 14-mile private toll road in Loudoun County, Virginia.

Education: Master of Business Administration, Finance, Amos Tuck School of Business Administration at Dartmouth
Bachelor of Arts, Government, Dartmouth College

Marianne M. Radcliff

Government Relations and Community Outreach

Marianne Radcliff is vice president for Kemper Consulting in the Richmond, Virginia office. She represents clients before the Virginia General Assembly, administrative agencies, and boards and commissions. Her practice centers on transportation, state procurement, and local government matters.

Specific Experience

Before joining Kemper Consulting, she was a government affairs director with Williams Mullen Clark & Dobbins. Mrs. Radcliff also previously served as special assistant to the Secretary of Transportation during the Allen administration and returned to serve as legislative liaison for the Transportation Secretariat during the beginning of the Gilmore administration. She is a member of Virginia Aviation Board appointed by Governor Mark R. Warner.

Education: Master of Public Administration with specialization in public law, Bowling Green State University
Bachelor of Arts, Longwood University

John-Garrett Kemper

Government Relations and Community Outreach

Mr. Kemper is vice president and counsel for Kemper Consulting based in the Norfolk, Virginia office. He regularly handles complex governmental matters before local governments, the Virginia General Assembly, administrative agencies, and boards and commissions. Mr. Kemper is consistently listed in *Virginia Business* magazine's "Legal Elite: Virginia's Best Attorneys" in the area of legislative and regulatory law.

Specific Experience

Mr. Kemper is a former assistant to the Clerk of the Virginia House of Delegates. He has twice been recognized as one of the top 40 business leaders under the age of 40 in Hampton Roads by *Inside Business* and by the *Virginia Business Observer*. Mr. Kemper is a member of the 2003 class of the CIVIC Leadership Institute, the 2001 class of Leadership Hampton Roads, and the 1999 class of the Sorenson Institute for Political Leadership at the University of Virginia. He is a frequent lecturer on Virginia government and politics and has appeared on both public television and public radio as a political analyst. He is a member of Virginia Bar Association (Environmental and Administrative Law Sections), the Virginia State Bar, and Norfolk-Portsmouth Bar Association (Professionals Committee).

Education: Bachelor of Arts, Hampden-Sydney College
Doctor of Law, William and Mary Law School

Ralph L. "Bill" Axselle, Jr.**Government Relations and Community Outreach**

Ralph "Bill" Axselle, Jr., is a partner in the Governmental Affairs section of Williams, Mullen, Clark & Dobbins. His 36 years of experience includes serving as a member of the Virginia Mediation Panel, American Arbitration Association, and Member of the Virginia State Bar-Virginia Bar Association Joint Committee on Alternative Dispute Resolution. He has held several positions within various community institutions and is well versed in government relations. In addition, Mr. Axselle worked with the Fluor-led joint venture during the development and successful financing of Route 895 Connector. He is a member of the Virginia State Bar and the American, Virginia, Richmond, and Henrico County Bar Associates. His government experience is highlighted below.

Specific Experience

- Member, Administrative Law Advisory Committee, Virginia Code Commission
- Member, Governor's Commission on Transportation Policy
- Virginia House of Delegates, Henrico County, Virginia
- Chairman, Governor's Regulatory Reform Advisory Board
- Chairman, Governor's Commission on Efficiency in Government
- Chairman, Regulatory Climate Workgroup, Economic Recovery Commission
- Member, The Blue Ribbon Strike Force: Governor's Commission on Government Reform
- Member, Advisory Committee for the Virginia Strategy Board

Education: Bachelor of Laws, University of Richmond T.C. Williams School of Law
 Bachelor of Arts, Political Science, University of North Carolina at Chapel Hill

1-c. INFORMATION SOURCE

Provide the names, addresses and phone numbers of persons within the firm or consortium who may be contacted for further information.

Serving as the primary Fluor contact to provide any additional information requested by VDOT is:

Herbert W. Morgan
Project Director
Fluor Virginia, Inc.
1101 Wilson Boulevard, Suite 1900
Arlington, VA 22209
Telephone: 804.304.6204
Facsimile: 703.647.4881
E-mail: herb.morgan@fluor.com

Tab 1: Qualifications and Experience**1-d. CLIENT REFERENCES**

Include the address, telephone number, and the name of a specific contact person for an entity for which the firm/consortia or primary members of the consortia have completed a similar project.

Team Member and Project	Contact Address	Contact Person and Telephone Number
Fluor <i>Pocahontas Parkway (Route 895 Connector)</i>	Virginia Department of Transportation 6000 Elko Tract Road Sandston, VA 23150	David Wesson 804.328.3050
Fluor <i>Conway Bypass</i>	South Carolina Department of Transportation 955 Park Street, P.O. Box 191 Columbia, SC 29202-0191	Don H. Freeman 803.737.7900
Fluor <i>E-470 Toll Road</i>	E-470 Public Highway Authority 22470 East 6 th Parkway, Suite 100 Aurora, CO 80018	Matthew McDole 303.537.3470
Bouygues Travaux Publics <i>Warnow Rostock Crossing</i>	Hansestadt Rostock City of Rostock D 1805 Rostock, Germany	M. Poeker or Schoerken 49 38 14 56 75 42
Bouygues Travaux Publics <i>Beirut Sea Front</i>	The Lebanese Company for the Development and Reconstruction of Beirut Central District SAL Zaghloul Street, Bldg. 149 Beirut, Lebanon	Imad Dana 961.3.211.705
HNTB	Virginia Department of Transportation 1401 East Broad Street Richmond, VA 23219	Dewey Litton 804.786.1873
HNTB	Virginia Department of Transportation 1401 East Broad Street Richmond, VA 23219	Malcolm Kerley 804.786.4798
HNTB <i>New Pedestrian Tunnel, Raleigh/Durham International Airport</i>	Richmond Metropolitan Authority 901 East Byrd Street, Suite 1100 Richmond, Virginia 23219	R. Michael Berry 804.649.8489
Hatch Mott MacDonald <i>Medway Tunnel, United Kingdom</i>	Tarmac/HBM Joint Venture St James House, Knoll Road, Camberley, Surrey GU15 3XW, UK	David Court +44 (0) 127 663 484
Hatch Mott MacDonald <i>Tuas Cable Tunnel, Singapore</i>	Development Resources Pte Ltd. (A division of Singapore Power Ltd.) 111 Somerset Road #12-01 Singapore 238164	Ang Koh Seng +65.737.0277

Tab 1: Qualifications and Experience

1-d. Client References

Team Member and Project	Contact Address	Contact Person and Telephone Number
Hatch Mott MacDonald <i>Third Hampton Roads Crossing Major Investment Study, Virginia</i>	Virginia Department of Transportation 1221 East Broad Street, Richmond, VA 23219	Philip Shucet 804.786.2702
Hatch Mott MacDonald <i>Cross Harbor Freight Movement Study, New York</i>	New York Economic Development Corporation 110 William Street, 6 th Floor New York, NY 10038	Alice Cheng 212.312.3780
Michael Baker Jr., Inc. <i>Third Crossing Study, Hampton Roads</i>	Virginia Department of Transportation 1401 E. Broad Street <i>Richmond, Virginia 23219</i>	Ken Wilkinson 804.371.6758
Michael Baker Jr., Inc. <i>Military Highway Reconstruction, Norfolk</i>	Virginia Department of Transportation 1401 E. Broad Street <i>Richmond, Virginia 23219</i>	Mary Stanley 804.786.2459
Michael Baker Jr., Inc. <i>I-64 Widening, Chesapeake</i>	Virginia Department of Transportation 1401 E. Broad Street <i>Richmond, Virginia 23219</i>	Mary Stanley 804.786.2459
Michael Baker Jr., Inc. <i>I-564 Intermodal Connector, Norfolk</i>	Virginia Department of Transportation 1401 E. Broad Street <i>Richmond, Virginia 23219</i>	John Olenik 804.371.0366
High-Point Rendel <i>Medway Immersed Tube Tunnel</i>	Kent County Council Invicta House County Hall Maidstone Kent ME14 1XX United Kingdom	John Farmer +44 (0)1622 221046
High-Point Rendel <i>Genova City Centre Crossing Study</i>	Comune di Genova Unita Organizzativa Progettazione Piazza F. Ortiz, 8 16128 Genova, Italy	Mirco Grassi +39 010 557 5259
High-Point Rendel <i>Genova Harbour Crossing Reference Design</i>	Tunnel di Genova SpA 16126 Genova Porto Ponte dei Mille Genova, Italy	Tullio Russo +39 010 246 5217
American Bridge Company <i>Chesapeake Bay Bridge II</i>	Maryland Transportation Authority 300 Authority Drive Baltimore, Maryland 21222	Keith A. Duerling, P.E. 410.288.8470
American Bridge Company <i>Freeport Ship Care Facility</i>	c/o Royal Caribbean Cruise Lines Miami, Florida	Peter Brand 305.379.2601 (Ext. 36306)
American Bridge Company <i>Sunshine Skyway Bridge Tampa Bay</i>	Parsons Brinckerhoff Construction Services, Inc. 465 Spring Park Place Herndon, Virginia 20170	Kris Resiegh, P.E. 703.742.5701

Tab 1: Qualifications and Experience

1-d. Client References

Team Member and Project	Contact Address	Contact Person and Telephone Number
American Bridge Company <i>Pier 7 Replacement, Naval Station, Norfolk</i>	Department of the Navy, Atlantic Division Naval Facilities Engineering Command 1510 Gilbert Street Norfolk, Virginia 23511-2699	John R. Adams, P.E. 757.322.4467
American Bridge Company <i>Woodrow Wilson Bridge Bascule Spans</i>	Maryland Department of Transportation State Highway Administration 707 North Calvert Street Baltimore, Maryland 21202	Robert D. Douglass, P.E. 410.545.8888
	<i>Construction Manager for the Owner:</i> Potomac Crossing Consultants	James T. Ruddell 301.749.8801
McLean Contracting Company <i>Hampton Roads Bridge Tunnel Widening and Lafayette River Bridge</i>	Virginia Department of Transportation 1700 North Main Street Suffolk, VA 23434	Jane Wimbush 757.925.2500
McLean Contracting Company <i>Rappahannock River Bridge</i>	Virginia Department of Transportation 87 Deacon Road Fredericksburg, VA 22405	David Ogle 540.899.4288
McLean Contracting Company <i>Woodrow Wilson Bridge – Grid Deck Replacement</i>	Virginia Department of Transportation 14635 Avion Parkway Chantilly, VA 20151-1104	J.A. DePasquale 703.383.2000
McLean Contracting Company <i>Kent Narrows Bridge and Choptank River Bridge</i>	Maryland State Highway Administration P.O. Box 2679 Salisbury, MD 21801-2679	Donnie Dreher 410.677.4000
McLean Contracting Company <i>I-895 Bridge</i>	Virginia Department of Transportation 1401 East Broad Street Richmond, VA 23219	Frank Gee 804.786.2707
Branch Highways <i>Danville Bypass</i>	Virginia Department of Transportation P.O. Box 309 Chatham, VA 24531	J.V. Reece 434.432.7214
Branch Highways <i>Roanoke Regional Airport</i>	Delta Airport Consultants 733 Whitepine Road Richmond, VA 23237	Matthew Kundrot 804.275.8301
Branch Highways <i>I-81/Route 460 Interchange Christiansburg (Montgomery County)</i>	Virginia Department of Transportation P.O. Box 420 Christiansburg, VA 24073	Dale Stancill 540.381.7200
Bear Stearns <i>Pocahontas Parkway (Route 895 Connector)</i>	Pocahontas Parkway Association P.O. Box 35033 Richmond, Virginia 23235	Jim Atwell 804.340.0205

Tab 1: Qualifications and Experience

1-d. Client References

Team Member and Project	Contact Address	Contact Person and Telephone Number
Bear Stearns <i>E-470 Toll Road</i>	E-470 Public Highway Authority 22470 East 6 th Parkway, Suite 100 Aurora, Colorado 80018	John McCuskey 303.537.3745
Bear Stearns <i>Northwest Parkway Project</i>	Northwest Parkway Public Highway Authority 555 Eldorado Boulevard, Suite 130 Broomfield, Colorado 80021	Steve Hogan 303.466.0567

1-e. FINANCIAL STATEMENTS

Provide a financial statement of the firm/consortia and each major partner. Submit the most recent Securities and Exchange Commission 10-K and 10-Q reports, if such reports have been filed.

Fluor Corporation

Fluor Corporation is the largest publicly owned international engineering, construction, and diversified services firm based in the United States. Fluor ranked first in engineering and construction, and 232nd in *Fortune* magazine's most recent (April 2004) listing of America's 500 largest corporations, and is consistently ranked by *Engineering News-Record (ENR)* magazine among the top four on its "Top Design-Build Firms" list and "Top 400 Contractors" list. Fluor's stock is traded on the New York Stock Exchange under the symbol FLR.

Fluor is one of the most financially sound engineering and construction companies in the world as measured by balance sheet strength, liquidity, profitability, and financial resources. For the fiscal year ended December 31, 2003, Fluor Corporation's net earnings from continuing operations were \$179.5 million. Revenues from continuing operations were \$8.8 billion for the year. Operating profit, which includes Fluor Enterprises, totaled \$406.3 million. New awards amounted to \$10.0 billion.

At June 30, 2004, the company had cash and cash equivalents of \$594.6 million and a debt to total capitalization ratio of 24.2 percent. Total debt (short and long term) amounted to \$374.5 million and net worth totaled \$1,170.4 million. Contract backlog at June 30 stood at \$12.9 billion.

Fluor has significant financial reserves and untapped capacity in the form of a \$300 million revolving credit facility and a \$500 million Letter of Credit facility. At present, significant capacity remains available under both facilities. Fluor has other committed and noncommitted lines available to it adding to the resources at its disposal.

Fluor's debt is rated investment grade as follows:

	Standard & Poor's	Moody's	Fitch
• Long-term senior secured	A-	A3	A-
• Long-term senior unsecured	BBB+	A3	A-
• Short-term (including CP)	A-2	P-2	F2

The most recent 10-K and 10-Q reports filed with the Security and Exchange Commission are included in Appendix A, accompanied by the Fluor Corporation 2003 Annual Report.

1-f. DBE/MBE PARTICIPATION

Include any planned participation of small, women-, and minority-owned businesses during project development and implementation.

Fluor Commitment to DBE/MBE Firms

The Fluor team has a long and successful history of providing contracting opportunities for disadvantaged/minority business enterprises (DBE/MBEs). As a global leader in design, construction, finance, and operations, Fluor has developed a variety of methods and programs to address the needs and desires of the DBE/MBE communities in every locality. Each program is intended to respond to specific needs for the project and to make the best use of the local DBE/MBE community's strengths while mitigating areas of potential weakness. Using a variety of financial, bonding, and insurance programs to enable DBE/MBE participation, Fluor will maintain a proactive approach for the Third Hampton Roads Crossing project.

Fluor, using these proven programs on the Pocahontas Parkway project, exceeded the DBE/MBE goals. Through this project, Fluor has developed meaningful opportunities for both contracting and professional services to DBE/MBE firms. This success is being further enhanced as additional information becomes available and opportunities arise. The goal of the Fluor team is to have a minimum of **10 percent** of project participation by DBE/MBE firms on the Third Hampton Roads Crossing project.

Fluor is committed to a contracting approach that allows the maximum participation of Virginia- and Tidewater-based DBE/MBE firms. Fluor has a listing of DBE/MBE firms certified by the Commonwealth of Virginia and their specific capabilities. Certified businesses will be accepted by Fluor as meeting the requirements to participate in the project's DBE/MBE program. The list is being used to develop a set of contracting packages that can be executed in a quality and profitable manner by these firms.

A major reason for DBE/MBE firms being unable to compete for work is the lack of or the constraint caused by insurance and bonding requirements. During the development of this project, Fluor will investigate the use of a contractor-controlled insurance program (CCIP) to assist DBEs/MBEs in meeting the project's insurance requirements. A CCIP will allow firms that otherwise could not effectively pursue or execute work on a major public works project the opportunity to participate as part of the Fluor team.

Fluor Mentoring/Apprentice Program

Outreach efforts to the local DBE/MBE community will be essential to understanding the capabilities of the local communities and firms. Due to the enormous size of this project, Fluor will establish a mentoring/apprentice program to assist local DBE/MBE firms find and develop adequate staff to participate meaningfully. The Fluor target groups for participation in this program will be the minority and disadvantaged populations in the Tidewater area. This outreach program will also support Fluor's public information program thus assuring that all sectors of the Tidewater community will benefit from project construction efforts. Before and during project execution, the Fluor team members will attend or advertise at local DBE/MBE-oriented business, school, and employment organizations. Fluor will proactively work with Tidewater and state government as well as private employment agencies to assure that the employment, training, and apprentice opportunities presented by this major employment opportunity are made available to everyone.

Project Characteristics

2-a. PROJECT DESCRIPTION

Provide a description of the transportation facility or facilities, including the conceptual design and all proposed interconnections with other transportation facilities. Describe the project in sufficient detail so the type and intent of the project, the location and the communities that may be affected are clearly identified. Describe the assumptions used in developing the project. The project description should be prepared in a way that fully recognizes any federal and/or Commonwealth requirements to analyze other project alignments and alternatives.

The Third Hampton Roads Crossing project will provide a new crossing parallel to the I-664 Monitor-Merrimac Memorial Bridge Tunnel (MMMBT) with connections from the new bridge tunnel to Norfolk and Portsmouth. On the Peninsula, the project begins at the I-64 interchange in Hampton and will widen I-664 to the I-64/I-264 interchange in Chesapeake. Included is a new interchange near the south approach structure of the MMMBT connecting to a new roadway and bridge tunnel (NRBT) extending from I-664 to I-564 in Norfolk. This interchange will provide access to both the existing MMMBT as well as the new parallel NRBT. The project also includes a connection along the eastside of Craney Island to VA 164 (Western Freeway) in Portsmouth.

A paralleling, three-tube tunnel to the west of the existing I-664 MMMBT will cross Hampton Roads. Two of the tubes will carry two lanes each of eastbound vehicular traffic. The third tube will be used for multimodal travel and would be dimensioned to accommodate all multimodal possibilities: HOV, passenger rail, and/or bus travel. Westbound vehicular traffic will use the four travel lanes in the existing I-664 tunnel tubes. A three-tube tunnel will cross the entrance to the Elizabeth River and connect to Norfolk. Eastbound and westbound vehicular traffic will be carried in two of the tubes, while the third tube will be used for multimodal travel. Fluor proposes to develop and construct all five phases.

- **Segment 1** - A new bridge tunnel and roadway from existing MMMBT to the I-564 Intermodal Connector at Terminal Boulevard in Norfolk with four conventional lanes and two lanes for multimodal use. Direct access to the Naval Base and Norfolk International Terminal will be provided.

Tab 2: Project Characteristics
2-a. Project Description

- **Segment 2** - A new bridge tunnel parallel and west of the existing I-664 MMMBT with two tubes of the tunnel carrying four conventional travel lanes and one tube carrying two multimodal-use lanes to the interchange with I-564.
- **Segment 3** - A four-lane connection from the new facility, just east of Craney Island, running south to VA 164 in Portsmouth from the interchange with I-564.
- **Segment 4** - Widen I-664 on the Peninsula from its interchange with I-64 in Hampton to the Newport News end of the MMMBT to eight conventional travel lanes and two additional lanes for multimodal use.
- **Segment 5** - Widen I-664 on the southside from the I-664/I-564 interchange to six conventional travel lanes connecting with the I-64/I-264 interchange in Portsmouth.

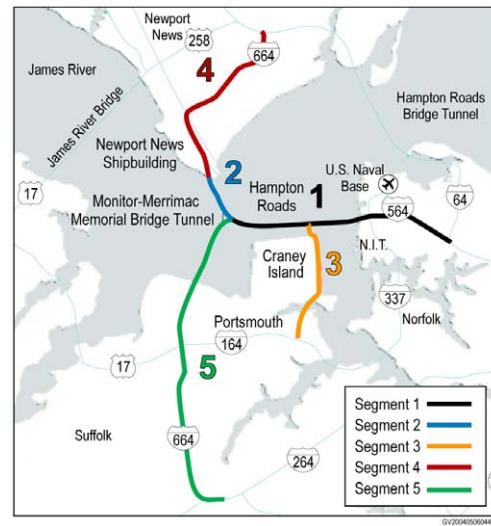


Figure 2-a.1. FEIS Alignment of the Third Hampton Roads Crossing

Figure 2-a.1 illustrates the general alignment that is included in the Final Environmental Impact Statement (FEIS) dated March 2001. This project affects the following communities that were all involved in the FEIS process:

City of Hampton	City of Norfolk	Town of Smithfield
City of Newport News	City of Chesapeake	Southampton County
City of Williamsburg	City of Virginia Beach	Gloucester County
City of Poquoson	James City County	Surry County
City of Suffolk	Isle of Wight County	City of Franklin
City of Portsmouth	York County	

The FEIS has been reviewed by a variety of federal, Commonwealth agencies, and local governments. It is understood that the Third Hampton Roads Crossing project complies with all federal and Commonwealth requirements.

Tab 2: Project Characteristics
2-a. Project Description

The Fluor team's assumptions for the Third Hampton Roads Crossing proposal are listed below:

- Costs are based on scope of work derived from preliminary drawings contained as part of the EIS.
- Scope includes acquiring environmental permits.
- Scope includes final design, construction, maintenance of traffic, and inspection.
- The project will use electronic toll collection that VDOT will operate and maintain.
- VDOT will be responsible for overall maintenance of the completed facility.
- Right-of-way costs are included, and VDOT will use power of eminent domain in condemnation.
- Utility relocation costs are included. These costs will be refined during the detailed proposal stage.
- Costs do not include:
 - hazardous materials
 - contaminated soils
 - sound mitigation
 - historical/archaeological site resolution.

2-b. VDOT PARTICIPATION

Identify and fully describe any work to be performed by VDOT.

As the project sponsor, VDOT will serve as the Fluor public partner and be the lead agency in necessary coordination with the Federal Highway Administration, U.S. Army Corps, U.S. Coast Guard, U.S. Navy, and other federal and Commonwealth agencies on issues such as new connection agreements, permits, and other government-to-government type actions. VDOT will be the 63-20 Corporation sponsor and owner of the facility, will maintain/operate the facility, and will retain rights to collect tolls once the debt is repaid.

Normal VDOT design oversight, review, and approvals will be part of the Fluor approach, which will include a dedicated staff to expedite the processing of this major design and construction effort.

2-c. PERMIT REQUIREMENTS

Include a list of all federal, state and local permits and approvals required for the project and a schedule for obtaining such permits and approvals. Identify which, if any, permits or approvals are to be obtained by VDOT.

Federal and Commonwealth environmental permits and approvals required before initiating construction include:

- Executive Order 11990 (protection of wetlands) Compliance, Protection of Wetlands and Section 404 Permits (Clean Water Act) from the U.S. Army Corps of Engineers including all subsequent changes and modifications
- Section 10 Permit (Rivers and Harbors Act) – U.S. Army Corps of Engineers
- U.S. Coast Guard Bridge Permit
- Virginia Water Protection Permit, Department of Environmental Quality
- Virginia Subaqueous Bed Permit, Virginia Marine Resources Commission
- Endangered Species Act (ESA) Compliance
- Section 4(f) Compliance, 1966 US DOT Act
- Section 106 National Historic Preservation Act Compliance
- Executive Order 12898 Environmental Justice Compliance
- Virginia stormwater management, erosion, and sediment control permits
- Consistency determination from the Coastal Zone Management Act
- Chesapeake Bay Protection Act approval not required assuming project constructed in accordance with the Erosion and Sediment Control Law and Stormwater Management Act (Fluor will be consistent with these laws.)

During the project development phase any additional state, regional, or local approvals or permits will be identified and obtained in full coordination with VDOT. The schedule for obtaining the above permits will be included with the master project schedule during the project development phase.

2-d. SOCIAL, ECONOMIC, AND ENVIRONMENTAL EFFECTS

Without completing an Environmental Impact Statement, identify any anticipated adverse social, economic and environmental impacts of the project. Specify the strategies or actions to mitigate known impacts. Identify the projected positive social, economic and environmental impacts of the project.

The Final Environmental Impact Statement approved by the Federal Highway Administration March 1, 2001, defines in detail the positive and negative impacts of the proposed project. Fluor is committed to delivering this project and meeting all the mitigation measures and agreements included in that document. Fluor's goal will be to reduce even further any anticipated negative impacts and increase both temporary and long-term positive impacts for each phase of the project. The project will involve the relocation of 38 residences, 8 businesses, 1 church, 1 community facility, and 1 government building.

During construction, the greatest potential irritant and source of complaint to VDOT will be maintenance of traffic. HNTB, the design manager on the Fluor team, has the experience necessary to design a program that minimizes such potential disruption. The success of maintaining traffic throughout the construction of the massive Springfield interchange project in Northern Virginia is testimony to our ability to handle this task.

Construction Sequencing and Maintenance of Traffic – The motoring public views the construction sequence and maintenance of traffic most critically. The success of the project is measured in large by how little the public is inconvenienced by the construction. Maintenance of traffic and sequencing of construction begin with a well-designed project that has considered all of the construction aspects of the project.

The project will be divided into five segments. Segment 1 will connect I-564 on the east with the MMMBT. The area east of the Elizabeth River will involve connecting into I-564 at Virginia Street. This area poses very few issues concerning maintenance of traffic.

The construction sequence for the tunnel under the Elizabeth River will be managed to avoid conflicts with river traffic.

The remainder of Segment 1 is through open country until it connects with I-664. At this juncture, the westbound mainline turning roadway will be realigned to effect a connection with northbound I-664 to provide an acceleration lane as the roadways join. The eastbound mainline turning roadway will require a temporary bridge to connect to the existing I-664 southbound roadway. All of the turning roadway connections can be made using concrete traffic barriers bolted to the bridge deck and minor shifting of the traffic lanes.

Tab 2: Project Characteristics

2-d. Social, Economic, and Environmental Effects

The interchange in the mid-portion of Segment 1 will be deferred until Segment 3 is constructed.

Segment 2 will consist of constructing three tube tunnels under the James River. Again it will be imperative to coordinate the tunnel construction with river traffic. Roadways will be made ready to connect to the Craney Island interchange. First the southbound roadway will be connected to the existing roadway. Then the existing northbound roadway will be connected to the existing southbound roadway. This connection completes the link that will divert some of the traffic away from the heavily congested Hampton Roads Bridge Tunnel.

Segment 3 runs along the eastside of Craney Island. There are relatively few issues to deal with in this phase as it runs through open country. The southern terminus connects to Route 164 (Western Freeway). The Norfolk and Southern Railway gives the most concern in this interchange. Only minor lane shifting should be required to construct the interchange.

Segment 4 will connect the new tunnel to I-64 on the northside of the James River. This area is the most densely developed on the project and has the greatest potential for utility conflicts.

The design of the I-64/I-664 interchange is the most important element in the maintenance of traffic and construction of this interchange. We believe that there are several adjustments that need to be made to the design to create a more constructible interchange.

The remainder of Segment 4 crosses numerous streets and consists of 8 underpasses, 5 overpasses, and 2 viaducts. It will be necessary to explore the remaining service life of the existing overpass bridges and viaducts before laying out the horizontal alignments. If the bridges are to be replaced due to deterioration or lack of vertical clearance when widened, the roadway could be widened to one side. The existing bridges could be used to detour traffic. New bridges could then be constructed. Additionally if the condition is good, one bridge could be salvaged at each crossing. Overpass bridges will create the greatest challenge. Temporary bridges may be required in some instances to replace the existing bridge. At other locations it may be possible to create a new alignment for the crossing or detour traffic over other streets. The old bridge can then be demolished and the new one constructed.

At interchanges, proper design of the ramp terminals can greatly facilitate the constructibility of the roadway.

Tab 2: Project Characteristics**2-d. Social, Economic, and Environmental Effects**

Segment 5 extends southward from the Craney Island interchange to the I-264/I-664 interchange. The roadway is more rural in nature having a wide bifurcated median in places. This type of widening can be accomplished by placing concrete barriers along the edge of pavement to protect the work zone. The existing bridges at underpasses might be used as is. If the portals are not large enough to accommodate the widening, the abutments could be under pinned. Each overpass bridge will have to be analyzed to see that the widening has not reduced the vertical clearance below minimum. There will be instances where we might widen into the median to mitigate vertical clearance problems.

Whenever possible, the widening will be in the median to eliminate disruption of the ramp terminals. Profiles of loop ramps crossing the existing ramp should be coincident with each other. This alignment will facilitate shifting traffic to the new ramp.

Public Involvement – Critical to maximizing the positive impacts will be the Fluor team's Public Involvement Program, which will assure VDOT that the local governments, citizens, and driving public are not just kept informed but are involved in the planning, design, and construction of each phase of this project. Fluor feels strongly that those who pay for such a facility should be actively involved in its development, execution, and operation. Fluor intends on maintaining and building on the Tidewater consensus that this facility is needed.

2-e. CRITICAL SUCCESS FACTORS

List the critical factors for the project's success.

The overall goal of this proposal is to provide this needed facility in the most economical and timely manner to improve the traffic conditions and access in the Tidewater area. Several factors are critical to Fluor's success in this project, including:

- **The Fluor Team**

The Fluor team was tailored and organized specifically to deliver the Third Hampton Roads Crossing project. The team has the capacity to undertake the financing, design, and construction of the project. The Fluor team has world-class experience in delivering complex public-private transportation projects on fast-track schedules and at the lowest possible cost. Fluor's goal-driven planning, design, construction process, and the continual schedule and cost analysis will ensure success with a sustained emphasis on safety and traffic maintenance.

- **Project Financing**

Fluor has developed a practical finance plan that will be implementable and ensure project goals are achieved and needed facilities provided.

- **Public Support**

Fluor's public involvement program will help ensure all stakeholders are involved in the project from development throughout construction. Fluor will maintain and build the public consensus currently supporting the project.

- **Fast-Track Design and Permitting**

Fluor will fast track the design and permitting of this project to assure the schedule targets can be achieved.

2-f. PROJECT SCHEDULE

Identify the proposed schedule for operator's work on the project, including the estimated time for completion.

The Fluor schedule can shorten the anticipated conventional design and construction schedule by up to five years as summarized in Figure 2-f.1. Fluor's proposal is based on starting development work in November 2005 with completion of construction in June 2013.

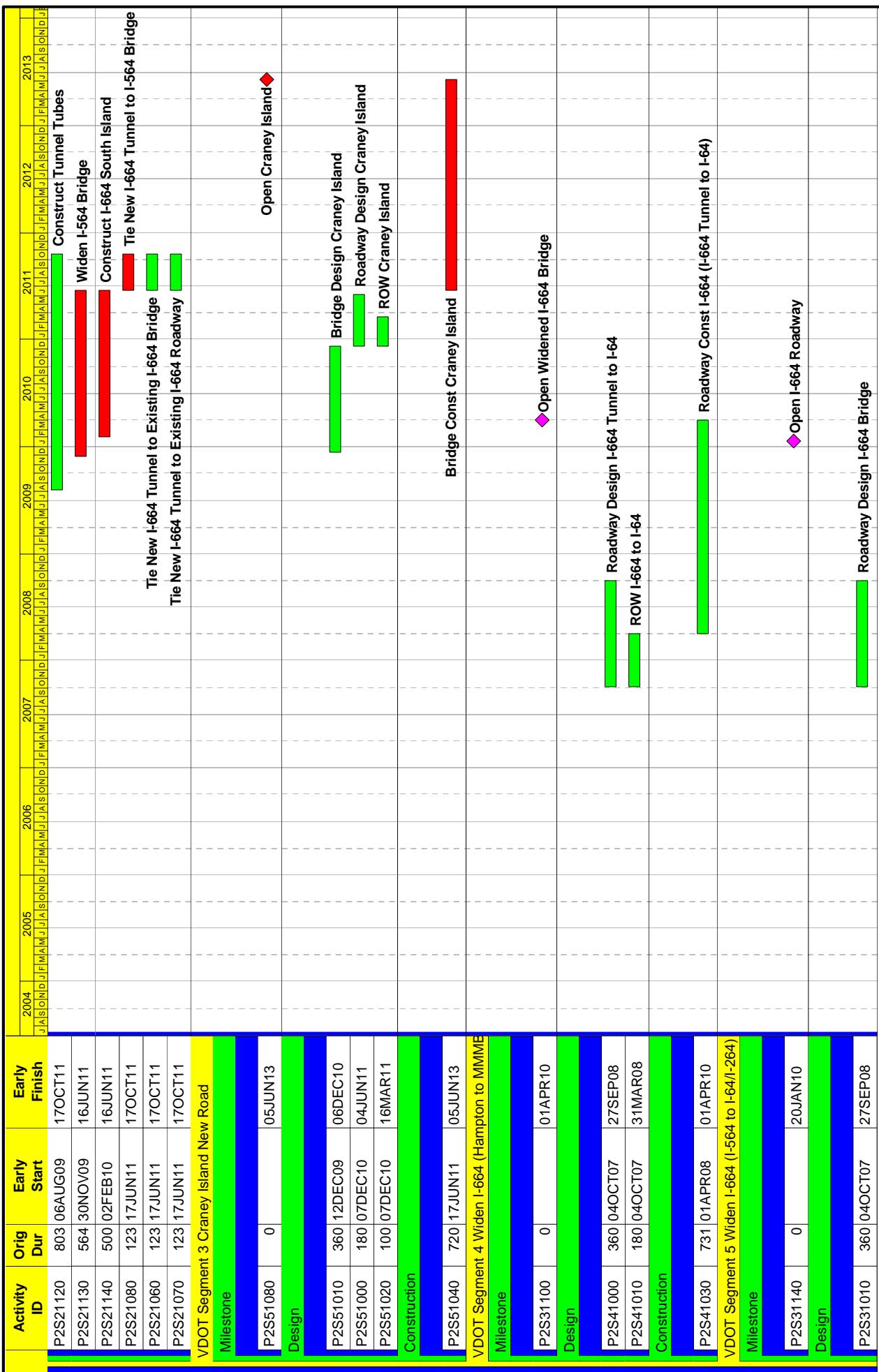
Fluor will begin preliminary engineering and permit applications for Segment 1 upon receipt of our invitation to submit a detailed proposal. Upon VDOT acceptance of a plan of finance for Phase II, which we assume will occur in 2007, Fluor will begin the widening of the interstate contemplated in Segments 2, 4, and 5 and generally complete those in 2010 and 2011, followed by Segment 3, which will be started in 2009 and finished in 2013. This schedule is based on our current level of information and is intended to use resource efficiencies, consolidation of soft ground, and current estimate quantities of cut/fill. The detailed proposal will further refine the schedule.

In addition to Fluor's standard comprehensive project scheduling, we will also provide the public relations staff with updated information relating to the project for communicating the schedule and phasing. The intent is to explain the planned schedule and provide renderings that will interpret the state of the project at specified milestone dates. The advantage to this approach is to provide effective understanding of the project schedule through the various media, allowing all participants to understand the project plan.

We believe the proposed schedule represents an aggressive approach to the project, using the most effective combination of resources. The project will be supplemented by regional subcontractors and other qualified firms that normally work in this region to advance the project in the most expeditious manner possible.

To expedite the front-end project activities, Fluor proposes to negotiate a comprehensive agreement (less the design-build component) once the team has been selected for negotiation. The comprehensive agreement would authorize the applicable team members to proceed with the following at their own risk:

- Traffic and revenue study
- Toll marketing program
- Design and permitting activities
- Acquisition of right-of-way
- Utility relocation
- Supplemental geotechnical investigations

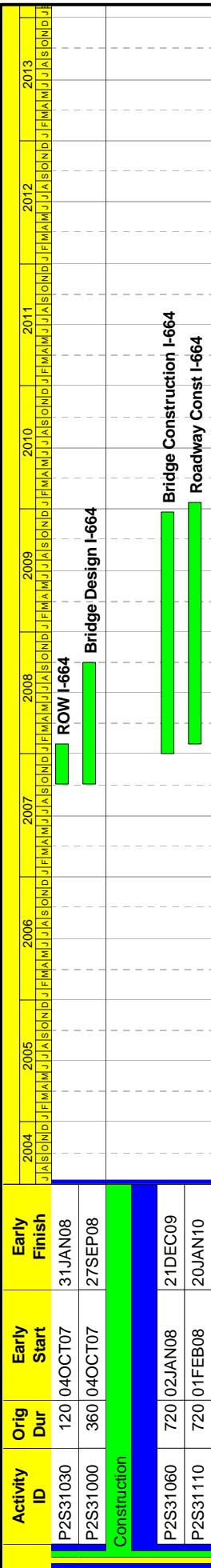


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2-g. RISK ALLOCATION

Propose allocation of risk and liability for past agreement work and assurances for timely completion of the project.

Fluor will assume full responsibility for the design, construction, costs, and timely delivery through a fixed-price contract. The completion date will be subject to liquidated damages, and Fluor will warrant its work for five years. Fluor will sign a comprehensive agreement providing for these guarantees. This agreement will be backed up by a corporate parent guarantee. Fluor's current commitment and performance in delivering the Route 895 project using similar guarantees demonstrate our ability to support the contract with investment grade credit. The Fluor team is committed to the success of the Third Hampton Roads Crossing project and is ready to start the development process.

Fluor will be subject to VDOT review. All design agreements will provide E&O insurance coverage, and all construction contractors will be fully bonded. Fluor team firms will provide construction engineering and inspection with oversight by VDOT.

2-h. PROJECT OWNERSHIP AND OPERATION

Clearly state the assumptions related to ownership, legal liability, law enforcement and operation of the facility.

VDOT will have ownership, maintenance, and operation responsibilities upon completion of each phase of the project. At the option of VDOT, the Fluor team is willing to operate and maintain the project for a period of five years to assure the performance of the entire project including selected specialty systems. Law enforcement and legal liability remain the responsibility of the appropriate governmental entities.

2-i. PHASED OPENINGS

Provide information on any phased (partial) openings proposed prior to final completion of the work.

Fluor will work with VDOT to open each phase, where possible, of this five-phase project as each is completed to provide for immediate public benefit and VDOT operation.

Tab 3

Project Financing

3-a. ESTIMATED COST

Provide a preliminary estimate and estimating methodology of the cost of the work by phase and/or segment (e.g., planning, design, and construction).

Preliminary Cost Estimate

Fluor is proposing to develop, finance, design, construct, and operate the Third Hampton Roads Crossing project on a phased basis. The first phase (FEIS Segment 1) of the project is a new limited-access tolled bridge and tunnel connection from I-664 Monitor-Merrimac Memorial Bridge Tunnel to I-564 Connector in Norfolk including the I-564 connection in Norfolk for a fixed price with the types of completion guarantees necessary to support non-recourse project financing. Our current conceptual cost estimate for Phase I is \$1.244 billion that includes escalation through financial closing in October 2006. This estimate includes all costs associated with the project description discussed in detail in Tab 2-a. Table 3-a.1 below summarizes the assumed cost for various project components.

Table 3-a.1 Project Cost Summary

Phase I \$ in Millions	Segment 1 (I-564 to I-664 I/C)	
Construction – Bridges	\$ 346.24	
Construction – Tunnel	379.13	
Construction – Island, Roadwork, and Other	291.44	
Engineering and Geotechnical	101.68	
Project Development and Management, CEI	125.58	
Total Phase I Cost	<hr/> \$ 1,244.06	

Phase II \$ in Millions	Segment 2 2nd MMM Tunnel	Segment 3 Craney Island Connector	Segment 4 I-664 Newport News	Segment 5 I-664 Widen MMM I/C to Suffolk	Total Phase II
Construction – Bridges	132.98	288.78	–	61.22	482.99
Construction – Tunnel	363.21	–	–	–	363.21
Construction – Island, Roadwork, and Other	237.86	40.07	336.24	122.46	736.63
Engineering and Geotechnical	73.41	32.89	33.62	18.37	158.28
Project Development and Management, CEI	90.66	40.61	41.53	22.68	195.48
Total Phase II Cost	\$ 898.11	\$ 402.35	\$ 411.39	\$ 224.73	\$ 1,936.58
TOTAL PROJECT COST					\$3,180.64

Estimating Methodology

Estimated construction costs are in conformance with Virginia Department of Transportation (VDOT) Road and Bridge Specifications, 2002, English. Cost and completion schedules assume construction of Phase I will begin October 1, 2006, with substantial completion by December 2010. Costs are inflated to date of expenditure. The conceptual estimate is based on minimal plans and minimal geotechnical information with consideration of team members' experience with other similar projects in the area. Estimated right-of-way costs and utility relocations required for the I-564 Connector have been included. Both of these areas will be refined as a more thorough analysis is performed as part of the detailed proposal. Please see Tab 2-a.2 for a complete list of assumptions. In addition to the right-of-way and utility analysis, Fluor, as part of the detailed proposal, will refine the construction planning and phasing to identify opportunities for cost and schedule improvements based on more detailed preliminary engineering and construction planning.

The estimated construction costs do not at this time include consideration for such items as hazardous materials abatement, contaminated soils, historical/archaeological site resolution, and sound mitigation. During the comprehensive agreement negotiations between VDOT and Fluor, changes to the conceptual/preliminary configurations desired by VDOT can be incorporated into the project scope and cost. Fluor welcomes the opportunity to discuss the basis of the conceptual estimate and schedule with VDOT.

3-b. DEVELOPMENT OF THE PLAN OF FINANCE

Submit a plan for the development, financing and operation of the project, showing the anticipated schedule on which funds will be required; and proposed sources and uses for such funds.

The Fluor team will work very closely with VDOT and the local governments to develop and implement a cost-effective financing strategy for the project that optimizes the use of tolls and other potential funding sources. The focus of this conceptual proposal plan of finance is the Phase I improvements, with the Fluor team as an active partner in the effort to identify and secure funding for Phase II. As the project moves forward with financing and construction of Phase I, Fluor will develop updated project cost estimates and financial analyses on an ongoing basis to assist various stakeholders in evaluating funding options for Phase II. By taking significant risk to advance Phase I, Fluor will have established a long-term stake in the success of the overall project, including design-build-finance solutions for Phase II.

Project Development

For purposes of this conceptual proposal, Fluor has developed a preliminary plan of finance, which is fully repaid from user fees, and two alternative plans of finance requiring public investment, with differing toll scenarios. Figure 3-b.1 describes the potential tolling options. Scenario 1 is structured to be self-funding with Phase I improvements financed entirely on a non-recourse basis assuming political support can be secured for tolling I-64, I-664, and the new crossing (Options A, B, and C) in 2011. By tolling the most congested crossing along with the new crossing, this solution provides congestion relief on I-64 as well as a remedy to the lack of VDOT funding available to support the project. This approach would result in a high degree of confidence on the ability to place financing since traffic cannot be diverted from a tolled to a free segment. Fluor's scope of work for Phase I includes construction of the I-564 Connector and an interchange on I-564 that are currently programmed in VDOT's Six Year Plan at \$58 million and \$6 million respectively. Consequently, implementation of Fluor's Scenario 1 Plan of Finance would free up \$64 million in funds for other VDOT priorities. In addition to being fully funded from user fees, this approach also saves the local economy the costs associated with serious congestion at the I-64 crossing.

Given the strong desire in the region to maintain a toll-free route, two alternative scenarios requiring financial support from federal, state, and/or local sources have been developed that allow one or more segments to remain free. Scenario 2 assumes I-64 and the new crossing are tolled (Options B and C). This approach removes significantly more congestion from the I-64 tunnel and offers a better balance of crossing traffic but will require a public-sector investment projected at 28 percent of project sources or

\$413 million. Assuming use of the \$64 million currently programmed in the VDOT Six Year Plan leaves a balance of \$349 million to be funded from sources yet to be identified.

Scenario 3 is based on tolling only the existing I-664 MMM crossing and the new crossing (Options A and B), which limits tolls to these approaches and keeps the I-64 tunnel free, but does not address the I-64 congestion problems. Although it may be politically attractive to keep the I-64 tunnel free, this approach provides an incentive for drivers to avoid using the new capacity that is intended to relieve the I-64 bridge/tunnel congestion problem. Assuming use of the \$64 million currently programmed in the VDOT Six Year Plan leaves a balance of \$630 million to be funded from sources yet to be identified in the Scenario 3 Plan of Finance.

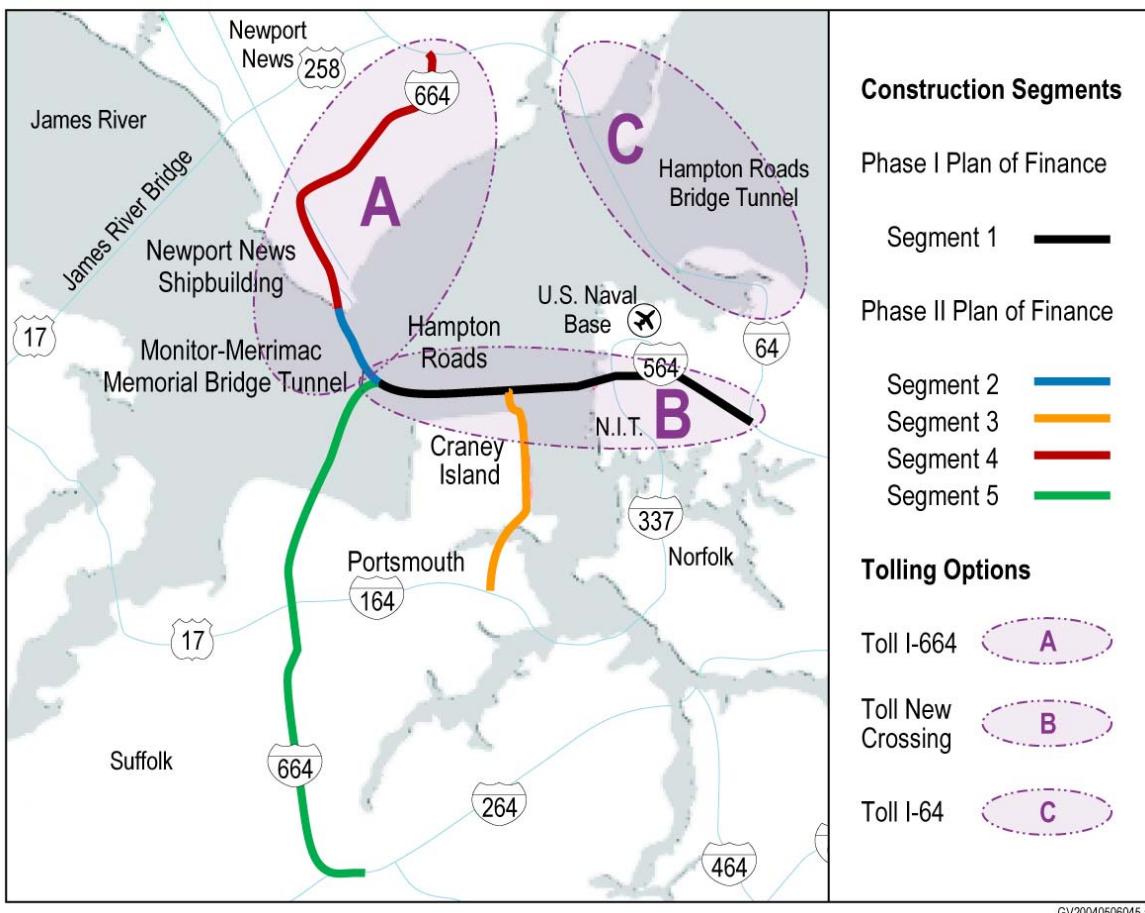


Figure 3-b.1. Tolling Options

Upon execution of a comprehensive agreement, the Fluor team will work closely with VDOT and the local governments to determine which approach offers the best way to advance Phase I given available resources and the need for public support. As part of that

effort, Fluor will undertake more detailed traffic and revenue analysis and develop a marketing and public relations program that builds support for the Fluor plan. Fluor will mobilize the resources needed to develop a complete scope, fixed construction price quote, a guaranteed completion schedule, and a plan of finance for Phase I.

The development effort for Phase I should take approximately one year (see Tab 2-d), and we anticipate having approximately \$9 million at risk before financial closing.

Financing

To demonstrate the financial feasibility of the three scenarios described above, we have assumed that project debt for Phase I will be issued in a single transaction that closes in October 2006. In Scenario 1, the financing is sized to generate net proceeds that, combined with investment earnings thereon, will be sufficient to fund all anticipated project costs through the estimated completion date of December 2010. In Scenarios 2 and 3, Fluor has sized the maximum amount of project debt that can be reasonably supported by the estimated toll revenue and estimated the additional investment required to complete Phase I. A summary Plan of Finance for each scenario is provided in Table 3-b.1 below.

Table 3-b.1 Summary of Sources and Uses of Funds

	Toll All Scenario 1	I-664 Free Scenario 2	I-64 Free Scenario 3
Senior Toll Revenue Bonds	892.5 60%	409.4 28%	121.1 8%
TIFIA Loan	489.9 33%	448.7 30%	402.3 27%
Investment Earnings	102.7 7%	88.8 6%	81.6 5%
Additional Investment	— 0%	412.9 28%	693.3 47%
<i>Total Sources</i>	\$1,485.1	\$1,359.7	\$1,298.3
Phase I Project Costs	1,244.1	1,244.1	1,244.1
Development Expenses	9.0	9.0	9.0
Capitalized Interest	129.4	59.6	31.3
Reserves and Financing Costs	102.6	47.1	13.9
<i>Total Uses</i>	\$1,485.1	\$1,359.7	\$1,298.3

Sources of Funds

Senior Toll Revenue Bonds – Par amount of tax-exempt toll revenue bonds issued with a first claim on gross toll revenue. Approximately 55 percent of the bonds in Scenarios 1 and 2 are structured as current interest bonds that pay investors interest every six months and the remainder structured as capital appreciation bonds with interest accruing until maturity. All of the debt in Scenario 3 is assumed to be current interest bonds.

TIFIA Loan – To secure the lowest possible cost of project financing, the Fluor team will seek a TIFIA loan commitment for up to the maximum of 33 percent of eligible project costs for Phase I. We would submit a TIFIA Letter of Interest for the project during the FY2005 funding cycle if VDOT requests a detailed proposal in that timeframe.

Investment Earnings – Anticipated earnings on bond proceeds deposited in the construction fund, the capitalized interest account, and debt service reserve fund.

Public Investment – Amount required at closing to fully fund assumed project costs for Phase I.

Uses of Funds

Phase I (Segment 1) Project Costs – Detailed in Table 3-a.1

Development Expenses – Represent reimbursement at closing for funds spent at-risk during the development phase including costs associated with preparation of the traffic and revenue analysis, preliminary design, environmental study support, and preparation of the guaranteed maximum price including risk compensation.

Capitalized Interest – Interest on the bonds during construction will be paid from bond proceeds and associated investment earnings.

Reserves and Financing Costs – Assumes 10 percent of bond proceeds will be deposited to the debt service reserve fund at closing. Legal expenses, underwriting fees, and other transaction costs are assumed to total 1.5 percent of the par amount of senior toll revenue bonds.

Fluor proposes to take responsibility for the capital markets debt issuance and take the lead in the negotiation of the TIFIA loan subject to final approval from VDOT. Notice to proceed and financial closing will be contingent on final VDOT approval of the scope, schedule, cost, and plan of finance. The legal structure proposed will involve a private corporation that will serve as the statutory operator under the PPTA and will have the right to collect tolls on the facility. Fluor will investigate all applicable alternatives for issuance of the project debt, including having the private corporation issue the debt directly, in a manner similar to the role of the Pocahontas Parkway Association for the 895 project, and issuing through an appropriate local transportation or development agency. Fluor will develop a plan for the most effective legal structure for VDOT approval before financial close. While we have not done so for purposes of this conceptual proposal, Fluor will work with VDOT to develop a mutually agreeable private-sector investment in the project

either in the form of standby credit as in the case of Pocahontas Parkway or taxable subordinated debt from a private-sector toll road investor/operator.

Toll Systems Operations

For purposes of this conceptual proposal, Fluor has assumed VDOT operations of the toll systems consistent with the Pocahontas Parkway project including VDOT funding of toll systems operations costs. As part of the detailed proposal process, Fluor is prepared to bring a private toll systems operator on to our team to operate the facility if VDOT prefers private operations.

3-c. KEY ASSUMPTIONS OF FINANCIAL PLAN

Include a list and discussion of assumptions (user fees or toll rates, and usage of the facility) underlying all major elements of the plan.

Key assumptions used in the conceptual finance plan include:

Estimated Traffic and Toll Revenue – Vollmer Associates prepared the traffic and revenue estimates through 2025 based primarily on information from the Environmental Impact Study for the project and a version of the regional traffic model from the Hampton Roads Planning District Commission with adjustments based on experience on the Dulles Greenway. For purposes of the conceptual finance plan, average annual gross revenue after 2025 was assumed to increase at 1.8 percent with 6.0 percent toll increases every three years.

Though sufficient work has been done to provide the Fluor team with the level of comfort needed to invest significant sums in development costs at risk, a more detailed traffic and revenue analysis will be required to access the capital markets.

Structure of Project Debt – The proposed debt structure has been prepared by Bear Stearns with assistance from other finance professionals and consultants on the Fluor team. Important assumptions include:

- | | |
|--|---|
| • Average Interest Rate on Senior Current Interest Bonds | 5.75% |
| • Average Yield on Senior Capital Appreciation Bonds | 6.25% |
| • Assumed Yield on TIFIA Loan | 5.50% |
| • Investment Rate on Construction Fund | 3.25% |
| • Investment Rate on Reserve Fund | 4.25% |
| • Minimum Debt Service Coverage on Senior Bonds | 1.60x in Scenario 1
2.25x in Scenarios 2 and 3 |
| • Minimum Debt Service Coverage on TIFIA Loan | 1.10x in all scenarios |

Toll Operations and Maintenance – The costs associated with toll operations and maintenance of the improvements are assumed to be the responsibility of VDOT, but those costs will be subject to reimbursement from surplus revenues generated by the project.

3-d. RISK FACTORS AND MITIGATION STRATEGIES

Identify the proposed risk factors and methods for dealing with these factors.

Fluor has developed the plan of finance for Phase I of the project based upon the proven experience of our team on similar projects in Virginia, throughout the United States, and abroad. The project financing will be structured so that the principal risks associated with the transaction are allocated among the Fluor team, investors, VDOT, and/or third parties that are compensated for taking other risks.

Construction of Facility on Time and Under Budget – The Fluor team assumes all responsibility for delivering the project. The construction contract will assign Fluor responsibility for scope and quality with a cost-certain and date-certain completion. Fluor's obligation will include the liability for liquidated damages and be guaranteed by Fluor's publicly traded parent company.

Traffic and Revenue Risk – Purchasers of the project debt and potential credit enhancers bear the risk that project revenues may not be sufficient to pay scheduled debt service. VDOT will have absolutely no financial obligation to those investors. Under current proposal though, VDOT would be required to provide funds to operate the facility. The risk of a payment default, however, is minimized by structuring the project debt with significant coverage and by funding reserve and contingency accounts. As it did for the Pocahontas Parkway transaction, Fluor will consider taking a risk position in the project as a contingent subordinate lender if that is needed to reduce the cost of capital or is necessary to achieve financial closing.

Authorization to Toll Existing Facilities

VDOT will be responsible for securing Federal Highway Administration final approval to impose tolls on any existing interstate highway using existing pilot program capabilities.

3-e. LOCAL, STATE, OR FEDERAL RESOURCES

Identify any local, state, or federal resources that the proposer contemplates requesting for the project. Describe the total commitment (financial, services, property, etc.), if any, expected from governmental sources; and the timing of any anticipated financial commitment.

Environmental/Permitting – VDOT will be responsible for contracting for and managing any environmental studies necessary to permit construction of the project.

Toll System Operation – VDOT will be responsible for funding toll system operation subject to reimbursement subordinate to project debt.

ROW – To the extent possible, the project will be constructed in existing right-of-way. For those sections of the project where new ROW is required, VDOT will use its right of eminent domain if necessary to secure the affected parcels.

Approval as a Federal Toll Pilot Program – VDOT will be responsible for securing Federal Highway Administration final approval to impose tolls on an existing interstate highway using existing pilot program capabilities.

Maintenance of Improvements – VDOT will continue to be responsible for the cost of regular maintenance, policing, and public safety on the toll road project. If VDOT elects to enter into a maintenance agreement for the project, VDOT will be responsible for the cost of contract maintenance unless the finance plan is modified to cover such costs.

TIFIA Loan – The plan of finance assumes the availability of TIFIA financing consistent with program guidelines and TIFIA experience on similar projects.

Public Support

4-a. COMMUNITY BENEFITS

Identify who will benefit from the project, how they will benefit and how the project will benefit the overall transportation system.

Congestion at the Hampton Roads Bridge Tunnel (HRBT) is compounded by the fact that the facility frequently operates beyond its design capacity during the peak hour. As daily volumes continue to grow, congestion is likely to spread out over a longer time period. The duration of congested periods will increase causing the “rush hour” to become longer and longer. If no improvements are made by the year 2015, westbound traffic could experience peak conditions between 6 a.m. and 8 p.m. and eastbound peak conditions could lengthen to 6 a.m. to 6 p.m. With accidents and other traffic delays, the rush period can only get longer. Heavier traffic usually encourages more, not fewer, accidents so the future does not look bright. The construction of the Third Hampton Roads Crossing will not only significantly improve this gloomy forecast, but will also support a variety of key economic factors critical to the continued growth and vitality of the Tidewater region, including:

- **Accessibility** – Access between the southside and the Peninsula is currently limited to three crossings, and congestion at two of these crossings (i.e., Hampton Roads Bridge Tunnel, James River Bridge) affects commuting and goods movement. Current access is not sufficient to accommodate new growth areas.
- **Population and Employment** – New population and employment growth in all areas of the region will increase the pressure on the transportation system to provide connections to jobs and services.
- **Military Facilities** – The transportation network must support the movement of supplies and people to and from the military bases located throughout the area. Such restrictions on ease of movement can negatively impact their ability to execute their national defense mission.

Tab 4: Public Support
4-a. Community Benefits

- **Tourism** – The tourism industry generates an estimated four million visitors each year who use the transportation network (Virginia Business). According to a 1992 Virginia Beach Overnight Visitor profile, the primary mode of transportation for tourists is the automobile. The transportation network needs to continue to support the region's growing tourism industry.
- **Port and Shipbuilding Facilities** – The port and shipbuilding industry has a large presence in Hampton Roads. Expected increases in tonnage will continue to increase the volumes of freight moving to and from the local ports via freight rail, highways, and waterways. Linking port facilities to the transportation network is required to improve the efficient transfer of goods and to maintain the economic growth and vitality of the port facilities. The transportation network must grow to support this growing component of the Hampton Roads region's economic base.

Fluor's proposal will benefit the entire region by supporting these key economic factors by providing the proposed Third Hampton Roads Crossing facilities faster and more economically than conventional highway funding approaches and any alternative financing plan. From a short-term perspective, the project will generate significant increases in area construction employment and related businesses.

4-b COMMUNITY SUPPORT

Identify any anticipated government support or opposition, or general public support or opposition for the project.

The need to provide additional crossings of Hampton Roads has been studied for decades. Most recently the Major Investment Study and National Environmental Policy Act Process resulting in the FEIS for the project have considered numerous alternative solutions to the problem. Governments, businesses, the military, and citizens at all levels have participated in these studies. The public reaction to the selected alternative documented in the FEIS suggests that a strong consensus has developed for that approach. In fact, after years of study and with finally reaching a consensus, the public attitude now seems to be how fast can we get this new crossing in place? Unfortunately public consensus is a fragile commodity. The longer VDOT waits to implement this project, the greater is the chance that this strong public consensus will erode. In addition, the recently completed and very expensive EIS study also has a limited shelf life (by federal guidelines of about five years) before this planning exercise has to be repeated, causing further delay.

Organizations supporting the Third Hampton Roads Crossing project include:

- Metropolitan Planning Organization
- Hampton Roads Third Crossing Commission
- Commonwealth Transportation Board
- Hampton Roads Chamber of Commerce
- U.S. Military Services
- Virginia Ports Authority
- Hampton Roads Maritime Association

Current Public Opinion

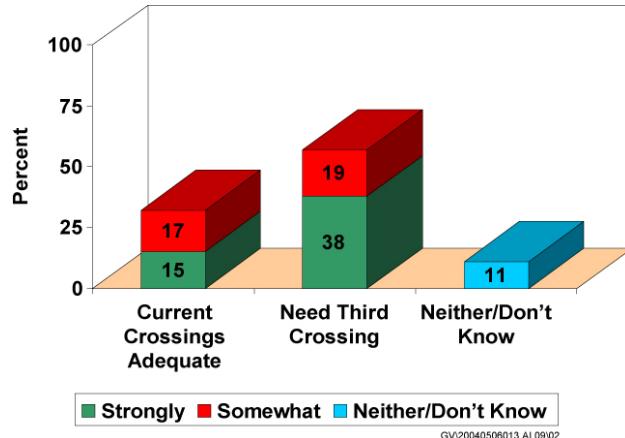
To develop a concept that is implementable and not just another study, it is important to anticipate and understand the acceptability of project strategies to both the users and public at large. Potential public reaction to questions such as project need, use of tolls, and private sector involvement in delivering the project are critical components in a realistic project plan. To assist VDOT in assessing public opinion, Fluor conducted two studies in the Tidewater area in November 2001 (number surveyed = 300 with a margin of error of ± 5.7 percent) and September 2003 (number surveyed = 400, ± 4.9 percent). Fluor's surveys were conducted by Research/Strategy/Management, Inc., an international survey research company located in Virginia.

In the 2001 survey, 42 percent of the region's population indicated that traffic conditions were bad and 61 percent said they were getting worse. The consistency of public opinion on this question was validated in the 2003 survey where 65 percent said that traffic conditions were bad. Furthermore, 60 percent of the public said there was a definite local need for building new or widening existing.

Specific responses that apply to Fluor's proposal include:

- **The Third Crossing is Strongly Supported**

When asked to assess the need for a new tunnel/bridge to connect the peninsula north of the James River with the Norfolk area south of the river a solid majority (57 percent) said yes the crossing was needed (see Figure 4-b.1).



Support for the new crossing is strongest among men (ages 35 to 54 years), those commuting 20 or more miles a day to work, and people currently using one of the existing Hampton Roads crossings.

People were then asked to rate the importance of the third crossing relative to other needed highway projects.

A new Hampton Roads

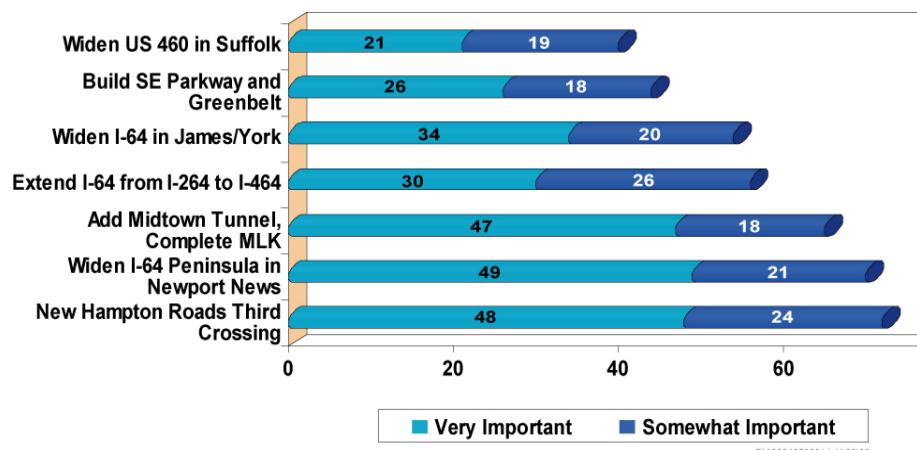


Figure 4-b.2. Importance of Specific Highway Projects

crossing was ranked important by 72 percent of the population, the highest rating for any of the seven projects assessed, Figure 4-b.2. One in four said this project was most important to them personally, more than any other project.

African Americans, people with low incomes and education, and frequent crossers of the James River joined men (ages 35 to 54 years), and long-distance commuters as most likely to find the third crossing very important to them personally.

- Public Attitudes on How to Finance the New Crossing are Mixed**

People were asked in the poll which of several ways to finance highway, bridge, and tunnel construction they preferred (Figure 4-b.3). A plurality (31 percent) said they preferred using tolls to supplement highway construction funds, and another group (16 percent) said combining tolls with new taxes and existing funds was acceptable, making the overall preference for some type of toll financing for the new crossing nearly half (47 percent).

When asked specifically whether they favored or opposed charging tolls if those tolls were used to finance a new highway or tunnel projects, a clear majority of the people (55 percent) said they favored

this method of finance. When it was stipulated that tolls would be dedicated to a particular project only and eliminated once it was paid for, support jumped to nearly three in four people (72 percent), see Figure 4-b.4.

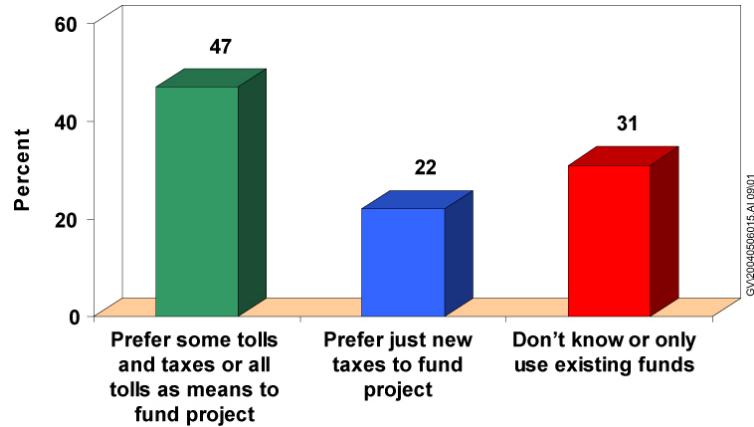


Figure 4-b.3. Funding Preference for New Highway, Bridge, and Tunnel Construction

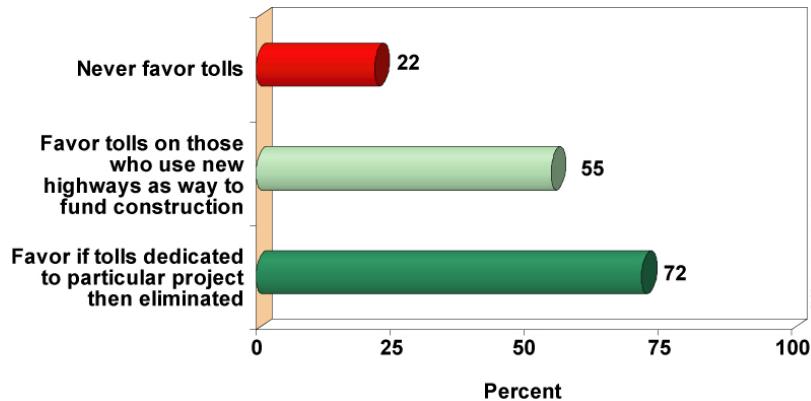


Figure 4-b.4. Support for Tolls

Tab 4: Public Support
4-b. Community Support

When asked about which facility should have a toll in order to pay for the Third Hampton Roads Crossing, people were

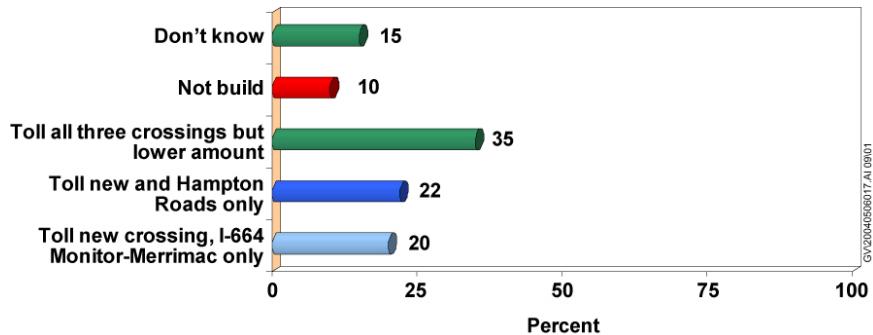


Figure 4-b.5. Which Toll Option to Build Hampton Roads Third Crossing?

divided in their opinions, see Figure 4-b.5. Only one in ten (10 percent) said that the new crossing should not be built if tolls are necessary for the project. The public was mostly divided on which existing or new crossing should be tolled to pay for the new crossing.

More research is required to establish what mix and level of tolling is acceptable for construction of the crossing.

- The Public Overwhelmingly Supports Use of PPTA to Deliver this Project**

The acceptability of the public-private transportation act was also measured in the poll. The law was explained to people who were then asked if it was a good or bad law.

Overwhelmingly the people responded that it was a good law (64 percent) as shown in Figure 4-b.6. Nearly as many (58 percent) said they favored the state accepting a proposal under this law to build a third crossing.

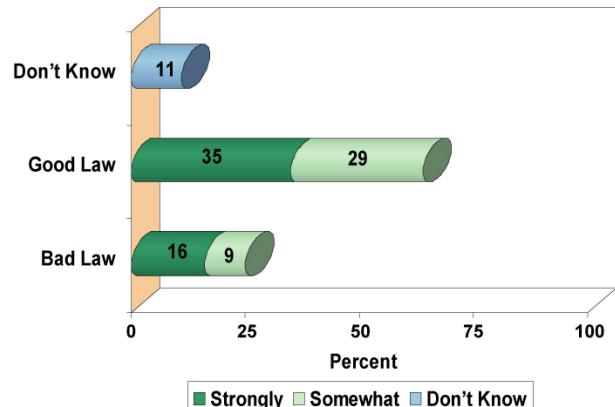


Figure 4-b.6. Is PPTA a Good or Bad Law?

4-c. PUBLIC INVOLVEMENT STRATEGY

Explain the strategy and plans that will be carried out to involve and inform the agencies and the public in areas affected by the project.

Critical to the success of the Third Hampton Roads Crossing project is maintaining and strengthening the current consensus supporting the project. Fluor will establish a proactive public participation program picking up from the excellent work done by VDOT during the EIS phase of the project. An effective public involvement plan will anticipate the information needs of the citizens, businesses, and public officials. In cooperation with VDOT, Fluor will devise a strategic communications plan, involvement mechanism, and marketing plan to assure continued support by all stakeholders. See discussion in Tab 3-d, Risk Factors and Mitigation Strategies.

Any project of this magnitude requires significant planning and the careful execution of a public information program designed to increase awareness of the project; provide accurate information about its nature, benefits, cost, and effects; motivate public support for the undertaking; and mitigate misinformation and disinformation with regard to its consequences. This process will consist of:

- **Fluor's next step – listen carefully to the public and its elected leaders**
We know that the deteriorating traffic and road conditions in the Tidewater area will continue to provide strong public support for a new Hampton Roads crossing. The public also understands the merit of using toll revenue as a way to fund such a project if they hope to see it in the foreseeable future. Although the public supports the toll concept they are less uncertain about the exact mix and amount of tolls they could tolerate to construct the new crossing. Fluor's next step will be, if asked to submit a detailed proposal, conducting an in-depth survey of Tidewater citizens and elected officials to determine the optimal toll strategy which will allow the project to be implemented.
- **A comprehensive communications plan covering all aspects of the program.**
- **An ongoing public appearance training program for project spokespersons.**
- **A community relations program designed to provide ongoing information to and build positive relationships with the general public**
The community relations program will include:
 - Use of media interviews
 - Conveniently located project information office
 - Open toll-free information telephone number

- Public appearances at civic organizations by the project director and key staff
- A well-publicized, interactive Web site, and other Internet techniques including the development of an extensive e-mail list
- Carefully planned newsmaking at important moments in the process
- **A community leadership program designed to build support for the project among opinion leaders**
This program will target such opinion leaders as local elected officials, business and labor leaders, the news media, and others.
- **A specific program to build project support within the military community**
Because of the extraordinarily high presence of military personnel and their families in this area, a specific program will be developed to impact this group: U.S. Army, U.S. Navy, U.S. Air Force, U.S. Marines, U.S. Coast Guard, and their joint commands.
- **Selective use of advertising, timed around key events in the process; brochures and other publications; direct mail; and print, radio, and television advertising.**

The key to the success of the overall public information/communications program will be the extent to which each element is coordinated with the other elements. This coordination will require the overall direction of a permanent communications staff who can work with and provide day-to-day implementation of the plans and programs designed by consultants, agency personnel, and other professional resources.

Project Compatibility/Benefit

5-a. CONSISTENCY WITH EXISTING PLANS

Describe the significant benefits to the community, region or state. Identify any state benefits from the project including the achievement of state transportation policies or other state goals.

Currently VDOT plans call for completion of the Third Hampton Roads Crossing project by 2014 at the earliest. With the current shortage of state and federal transportation funds, this date looks optimistic at best. The Fluor schedule will complete the entire project in a fast-track method providing all the identified benefits faster and at a significantly lower cost, requiring no state funding (see Tab 4-a Community Benefits). Completion of the Third Hampton Roads Crossing project without further demand on state resources could help facilitate the earlier funding and implementation of the planned regional rail rapid transit system. Likewise, with the long-term commitment to the war on terrorism, the new access provided to Norfolk Navy Base and other improved links between many of America's most important military bases would contribute to the national defense.

5-b. ECONOMIC BENEFITS

Describe significant benefits to the state's economic condition. Discuss whether this project is critical to attracting or maintaining competitive industries and businesses to the state or region.

The Hampton Roads region has an economic base dominated by four primary sectors: military, port, shipbuilding/ship repair, and tourism. Commercial and retail activities result from and are supported by these four base sectors of the region's economy. Historically, the military sector has had the most influence on the region's economy. As the defense program grows, so does the local economy, particularly in the residential, commercial, and office construction areas. As the economy grows, so does the population.

The Peninsula and the southside are separated by one of the world's largest and deepest harbors. Before linking the two areas with tunnels and bridges, the areas developed in relative isolation. With the construction of the existing tunnels, the regional economy merged and now acts as a single unit, highly dependent on easy access between the two landmasses. To a large extent the congestion of the existing tunnels, is a result of people traveling between communities on the Peninsula and southside.

Maintenance of easy access across Hampton Roads is essential to the future economy to continue this historic regional growth. It is obvious the major contribution the Third Hampton Roads Crossing project will bring to the current and future economy of the region. The alternative will be disruption of the economy and the return to disjointed development patterns as further congestion at the crossings forces the economy to return to the more isolated development patterns of the past.

Appendix A

Financial Documents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

(Mark One)

(X) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2004

OR

() TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission File Number: 1-16129

FLUOR CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

33-0927079

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer I.D. No.)

One Enterprise Drive, Aliso Viejo, CA 92656

(Address of principal executive offices)

(949) 349-2000

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes (X) No ()

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes (X) No ()

As of July 31, 2004, there were 83,432,313 shares of common stock outstanding.

FLUOR CORPORATION

FORM 10-Q

June 30, 2004

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PART I: FINANCIAL INFORMATION

Item 1. Financial Statements

FLUOR CORPORATION
CONDENSED CONSOLIDATED STATEMENT OF EARNINGS
 Three Months Ended June 30, 2004 and 2003

UNAUDITED

\$ in thousands, except per share amounts	2004	2003
REVENUES	\$ 2,214,450	\$ 2,243,400
COSTS AND EXPENSES		
Cost of revenues	2,114,767	2,146,339
Corporate administrative and general expense	32,979	31,348
Interest expense	3,318	2,890
Interest income	(3,967)	(3,264)
Total Costs and Expenses	<u>2,147,097</u>	<u>2,177,313</u>
EARNINGS FROM CONTINUING OPERATIONS BEFORE TAXES	67,353	66,087
INCOME TAX EXPENSE	<u>22,563</u>	<u>23,101</u>
EARNINGS FROM CONTINUING OPERATIONS	44,790	42,986
EARNINGS FROM DISCONTINUED OPERATIONS, NET OF TAXES	--	1,636
GAIN ON DISPOSAL, NET OF TAXES	--	372
NET EARNINGS	<u>\$ 44,790</u>	<u>\$ 44,994</u>
BASIC EARNINGS PER SHARE		
CONTINUING OPERATIONS	\$ 0.55	\$ 0.54
DISCONTINUED OPERATIONS	--	0.02
NET EARNINGS	<u>\$ 0.55</u>	<u>\$ 0.56</u>
DILUTED EARNINGS PER SHARE		
CONTINUING OPERATIONS	\$ 0.54	\$ 0.54
DISCONTINUED OPERATIONS	--	0.02
NET EARNINGS	<u>\$ 0.54</u>	<u>\$ 0.56</u>
SHARES USED TO CALCULATE EARNINGS PER SHARE		
BASIC	<u>81,233</u>	<u>79,619</u>
DILUTED	<u>82,519</u>	<u>80,300</u>
DIVIDENDS DECLARED PER SHARE	<u>\$ 0.16</u>	<u>\$ 0.16</u>

See Accompanying Notes

FLUOR CORPORATION
CONDENSED CONSOLIDATED STATEMENT OF EARNINGS
Six Months Ended June 30, 2004 and 2003

UNAUDITED

\$ in thousands, except per share amounts	2004	2003
REVENUES	\$ 4,277,704	\$ 4,320,359
COSTS AND EXPENSES		
Cost of revenues	4,079,200	4,126,600
Corporate administrative and general expense	60,777	68,052
Interest expense	7,786	5,440
Interest income	(7,676)	(6,468)
Total Costs and Expenses	<u>4,140,087</u>	<u>4,193,624</u>
EARNINGS FROM CONTINUING OPERATIONS BEFORE TAXES	137,617	126,735
INCOME TAX EXPENSE	<u>46,101</u>	<u>42,824</u>
EARNINGS FROM CONTINUING OPERATIONS	91,516	83,911
GAIN FROM DISCONTINUED OPERATIONS, NET OF TAXES	--	1,488
LOSS ON DISPOSAL, NET OF TAXES	--	(13,104)
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE, NET OF TAXES	<u>--</u>	<u>(10,389)</u>
NET EARNINGS	<u>\$ 91,516</u>	<u>\$ 61,906</u>
BASIC EARNINGS (LOSS) PER SHARE		
CONTINUING OPERATIONS	\$ 1.13	\$ 1.06
DISCONTINUED OPERATIONS	--	(0.15)
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	<u>--</u>	<u>(0.13)</u>
NET EARNINGS	<u>\$ 1.13</u>	<u>\$ 0.78</u>
DILUTED EARNINGS (LOSS) PER SHARE		
CONTINUING OPERATIONS	\$ 1.11	\$ 1.05
DISCONTINUED OPERATIONS	--	(0.15)
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	<u>--</u>	<u>(0.13)</u>
NET EARNINGS	<u>\$ 1.11</u>	<u>\$ 0.77</u>
SHARES USED TO CALCULATE EARNINGS PER SHARE		
BASIC	<u>81,076</u>	<u>79,443</u>
DILUTED	<u>82,335</u>	<u>79,974</u>
DIVIDENDS DECLARED PER SHARE	<u>\$ 0.32</u>	<u>\$ 0.32</u>

See Accompanying Notes

FLUOR CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEET
June 30, 2004 and December 31, 2003

UNAUDITED

	June 30, 2004	December 31, 2003 *
\$ in thousands, except share amounts		
ASSETS		
Current assets		
Cash and cash equivalents	\$ 594,563	\$ 496,502
Accounts and notes receivable	736,119	636,162
Contract work in progress	825,770	827,091
Deferred taxes	98,632	118,550
Other current assets	142,661	135,339
Total current assets	2,397,745	2,213,644
Property, plant and equipment (net of accumulated depreciation of \$384,036 and \$368,223, respectively)	512,081	569,480
Investments and goodwill	152,233	152,363
Deferred taxes	80,450	66,051
Pension assets	159,942	173,613
Other	288,656	274,331
	<u>\$ 3,591,107</u>	<u>\$ 3,449,482</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Trade accounts payable	\$ 612,826	\$ 571,535
Short-term debt	--	221,469
Advances from affiliate	13,687	44,548
Advance billings on contracts	437,355	489,057
Accrued salaries, wages and benefits	294,300	306,786
Other accrued liabilities	191,038	195,743
Total current liabilities	1,549,206	1,829,138
Long-term debt due after one year	374,480	44,652
Noncurrent liabilities	497,003	494,158
Contingencies and commitments		
Shareholders' equity		
Capital stock		
Preferred – authorized 20,000,000 shares without par value; none issued	--	--
Common – authorized 150,000,000 shares of \$0.01 par value; issued and outstanding – 83,291,550 and 82,102,029 shares, respectively	833	821
Additional capital	457,403	415,078
Unamortized executive stock plan expense	(40,055)	(24,412)
Accumulated other comprehensive loss	(38,086)	(35,335)
Retained earnings	790,323	725,382
Total shareholders' equity	1,170,418	1,081,534
	<u>\$ 3,591,107</u>	<u>\$ 3,449,482</u>

* Amounts at December 31, 2003 have been derived from audited financial statements.

See Accompanying Notes

FLUOR CORPORATION
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
Six Months Ended June 30, 2004 and 2003

UNAUDITED

\$ in thousands	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES		
Net earnings	\$ 91,516	\$ 61,906
Adjustments to reconcile net earnings to cash provided (utilized) by operating activities:		
Depreciation	42,757	40,534
Cumulative effect of change in accounting principle	--	10,389
Deferred taxes	8,174	14,566
Retirement plan accrual	13,671	18,100
Unbilled fees receivable	(6,644)	(10,361)
Provision for impairment of assets	--	20,535
Changes in operating assets and liabilities, excluding effects of business acquisitions/dispositions	(141,386)	(353,605)
Gain on sale of real estate	(4,902)	--
Insurance proceeds	3,380	38,587
Equity in loss of investees	1,277	402
Other, net	9,636	11,249
Cash provided (utilized) by operating activities	<u>17,479</u>	<u>(147,698)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures		
Continuing operations	(42,479)	(28,386)
Discontinued operations	--	(2,583)
Acquisitions, net	(33,000)	(54,531)
Investments, net	2,770	9,645
Proceeds from sale of real estate	50,208	--
Proceeds from disposal of property, plant and equipment	10,895	13,744
Proceeds from sale of subsidiary	--	31,926
Other, net	<u>(2,206)</u>	<u>(588)</u>
Cash utilized by investing activities	<u>(13,812)</u>	<u>(30,773)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash dividends paid	(26,575)	(26,050)
Proceeds from issuance of convertible debt	330,000	--
Repayment of facilities financing	(100,000)	--
Decrease in short-term borrowings	(121,469)	--
Stock options exercised	20,409	12,276
Debt issuance costs	(7,490)	--
Purchases of common stock	--	(2,691)
Other, net	<u>(526)</u>	<u>(62)</u>
Cash provided (utilized) by financing activities	<u>94,349</u>	<u>(16,527)</u>
Effect of exchange rate changes on cash	<u>45</u>	<u>25,281</u>
Increase (decrease) in cash and cash equivalents	<u>98,061</u>	<u>(169,717)</u>
Cash and cash equivalents at beginning of period	<u>496,502</u>	<u>753,367</u>
Cash and cash equivalents at end of period	<u>\$ 594,563</u>	<u>\$ 583,650</u>

See Accompanying Notes

FLUOR CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

UNAUDITED

- (1) The condensed consolidated financial statements do not include footnotes and certain financial information normally presented annually under accounting principles generally accepted in the United States, and therefore should be read in conjunction with the company's December 31, 2003 annual report on Form 10-K. Accounting measurements at interim dates inherently involve greater reliance on estimates than at year-end. The results of operations for the three and six months ended June 30, 2004 are not necessarily indicative of results that can be expected for the full year.

The condensed consolidated financial statements included herein are unaudited; however, they contain all adjustments (consisting of normal recurring accruals) which, in the opinion of the company, are necessary to present fairly its consolidated financial position at June 30, 2004, its consolidated results of operations for the three and six months ended June 30, 2004 and 2003 and its cash flows for the six months ended June 30, 2004 and 2003.

Certain 2003 amounts have been reclassified to conform with the 2004 presentation.

- (2) Advances from affiliate relate to cash received by Duke/Fluor Daniel, a joint venture entity, from advance billings on contracts, which are made available to the partners. Such advances are classified as an operating liability of the company.
- (3) The components of comprehensive income, net of related tax, are as follows:

\$ in thousands	Three Months Ended June 30		Six Months Ended June 30	
	2004	2003	2004	2003
Net earnings	\$ 44,790	\$ 44,994	\$ 91,516	\$ 61,906
Foreign currency translation adjustment	(3,711)	16,880	(2,751)	22,236
Comprehensive income	<u>\$ 41,079</u>	<u>\$ 61,874</u>	<u>\$ 88,765</u>	<u>\$ 84,142</u>

- (4) Cash paid for interest was \$6.9 million and \$6.3 million for the six months ended June 30, 2004 and 2003, respectively. Income tax payments, net of receipts, were \$22.1 million and \$6.6 million during the six-month periods ended June 30, 2004 and 2003, respectively.
- (5) The company accounts for stock-based compensation using the intrinsic value method prescribed by Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and related Interpretations ("APB 25"), as permitted by Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123"). Accordingly, compensation cost for stock options is measured as the excess, if any, of the quoted market price of the company's stock at the date of the grant over the amount an employee must pay to acquire the stock. All unvested options outstanding under the company's option plans have grant prices equal to the market price of the company's stock on the date of grant. Compensation cost for stock appreciation rights and performance equity units is recorded based on the quoted market price of the company's stock at the end of the period.

Currently under APB 25, no compensation cost is recognized for unvested stock options where the grant price is equal to the market price on the date of grant and the vesting provisions are based only on the passage of time. Had the company recorded compensation expense using the accounting method recommended by SFAS 123, net earnings and earnings per share would have been reduced to the pro forma amounts as follows:

FLUOR CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

UNAUDITED

\$ in thousands, except per share amounts	Three Months Ended June 30		Six Months Ended June 30	
	2004	2003	2004	2003
Net earnings				
As reported	\$ 44,790	\$ 44,994	\$ 91,516	\$ 61,906
Stock-based employee compensation expense, net of tax	(1,303)	(2,298)	(2,645)	(4,453)
Pro forma	<u>\$ 43,487</u>	<u>\$ 42,696</u>	<u>\$ 88,871</u>	<u>\$ 57,453</u>
Basic net earnings per share				
As reported	\$ 0.55	\$ 0.56	\$ 1.13	\$ 0.78
Pro forma	<u>\$ 0.54</u>	<u>\$ 0.53</u>	<u>\$ 1.10</u>	<u>\$ 0.72</u>
Diluted net earnings per share				
As reported	\$ 0.54	\$ 0.56	\$ 1.11	\$ 0.77
Pro forma	<u>\$ 0.53</u>	<u>\$ 0.53</u>	<u>\$ 1.08</u>	<u>\$ 0.71</u>

- (6) Operations are organized in five industry segments: Oil & Gas, Industrial & Infrastructure, Government, Global Services and Power. The Oil & Gas segment provides engineering and construction professional services for upstream oil and gas production, downstream refining, and certain petrochemicals markets. The Industrial & Infrastructure segment provides engineering and construction professional services for manufacturing and life sciences facilities, commercial and institutional buildings, mining, chemicals, telecommunications and transportation projects and other facilities. The Government segment provides project management, engineering, construction, and contingency response services to the United States government. The Global Services segment includes operations and maintenance, equipment and temporary staffing services and the company's global sourcing and procurement services business. The Power segment provides professional services to engineer, construct and maintain power generation facilities. Services provided by the Power segment are primarily conducted by Fluor and ICA Fluor Daniel, 49 percent jointly owned companies with Grupo ICA, a Mexican company.

On July 9, 2003, the company jointly announced with Duke Energy Corporation the decision to dissolve the Duke/Fluor Daniel partnership as a result of the significant decline in the construction of new power plants. The dissolution is not expected to have a material impact on results of operations or financial position of the company. The dissolution is in progress and is expected to be completed in 2005 as remaining project activities are concluded.

FLUOR CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

UNAUDITED

Operating information by segment for the company's continuing operations are as follows for the three and six months ended June 30, 2004 and 2003:

\$ in millions	Three Months Ended June 30		Six Months Ended June 30	
	2004	2003	2004	2003
External revenue				
Oil & Gas	\$ 705.0	\$ 639.1	\$ 1,308.9	\$ 1,383.4
Industrial & Infrastructure	485.8	734.6	962.6	1,321.8
Government	591.5	352.3	1,169.1	685.4
Global Services	303.2	324.3	617.3	589.1
Power	128.9	193.1	219.8	340.7
Total external revenue	\$ 2,214.4	\$ 2,243.4	\$ 4,277.7	\$ 4,320.4
Operating profit				
Oil & Gas	\$ 30.4	\$ 30.7	\$ 57.5	\$ 57.5
Industrial & Infrastructure	15.4	9.6	25.5	26.4
Government	17.7	12.0	45.2	20.6
Global Services	23.3	27.0	43.4	50.2
Power	12.8	17.8	26.9	39.1
Total operating profit	\$ 99.6	\$ 97.1	\$ 198.5	\$ 193.8

A reconciliation of the segment information to consolidated amounts for the three and six months ended June 30, 2004 and 2003 is as follows:

\$ in millions	Three Months Ended June 30		Six Months Ended June 30	
	2004	2003	2004	2003
Total segment operating profit	\$ 99.6	\$ 97.1	\$ 198.5	\$ 193.8
Corporate administrative and general expense	33.0	31.4	60.8	68.1
Interest (income) expense, net	(0.7)	(0.4)	0.1	(1.0)
Earnings from continuing operations before taxes	\$ 67.3	\$ 66.1	\$ 137.6	\$ 126.7

- (7) In February 2004, Del-Jen, Inc., a subsidiary of the company, acquired Trend Western Technical Corporation, a provider of logistics and operations services to military bases in the United States and Guam for \$33.0 million in cash. This acquisition further enhances the company's ability to serve the federal government marketplace and expands the service offering and the international reach of Del-Jen. The company has engaged an independent appraiser and is in the process of determining the fair values of the acquired assets. As of June 30, 2004, the allocation of the purchase price to the fair value of the tangible and intangible assets acquired has not been finalized.

The company's consolidated financial statements include the operating results of Trend Western from the date of acquisition. Pro forma results of operations have not been presented because the effect of this acquisition was not material to the company's results.

In addition, during the first quarter of 2004, the company finalized the purchase allocation of the 2003 acquisition of five specialty operations and maintenance ("O&M") business groups from

FLUOR CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

UNAUDITED

Philip Services Corporation. The acquired businesses, which have been named Plant Performance Services, have expanded and strengthened the O&M services business component of the Global Services segment and complement the company's core engineering, procurement, construction and maintenance business. The business groups were acquired for \$21.2 million in cash. The seller retained the working capital for these businesses. The company recorded goodwill of \$8.7 million and intangible assets of \$2.8 million. Goodwill is no longer amortized but is reviewed periodically for impairment in accordance with SFAS No. 142, "Goodwill and Other Intangible Assets." The intangible assets are being amortized over useful lives ranging from one to five years.

- (8) In February 2004, the company issued \$330 million of convertible senior notes due February 15, 2024 and received proceeds of \$323 million, net of underwriting discounts. The notes bear interest at a rate of 1.50 percent per annum with interest payable semi-annually on February 15 and August 15 of each year. On or after February 17, 2005, the notes are convertible into shares of the company's common stock at a conversion rate of 17.8750 shares per each \$1,000 principal amount of notes at an initial conversion price of \$55.94 per share, if (a) the closing price of the company's common stock exceeds a specified price for a specified period of time, (b) the company calls the notes for redemption or (c) upon the occurrence of specified corporate transactions. Additionally, under the closing price condition, conversion of the notes may occur only during the fiscal quarter immediately following the quarter in which the closing price condition is satisfied. Upon conversion, the company has the right to deliver, in lieu of common stock, cash or a combination of cash and shares of the company's stock. Shares of the company's common stock that would be issued if the notes were converted are not included in diluted earnings per share because the conversion price was above the market price on the date of issue and conversion is contingent upon achieving a price target for a specified period of time of 130 percent of the conversion price. Neither the conversion price nor price target has been achieved since the date of issue.

Holders of notes may require the company to purchase all or a portion of their notes on February 15, 2009, February 15, 2014 and February 15, 2019 at 100 percent of the principal amount plus accrued and unpaid interest. Any notes tendered in the first put on February 15, 2009, will be settled in cash. Subsequent puts may be settled in cash, stock or a combination thereof at the company's option. After February 16, 2009, the notes are redeemable at the option of the company, in whole or in part, at 100 percent of the principal amount plus accrued and unpaid interest. In the event of a change of control of Fluor, each holder may require the company to repurchase the notes for cash, in whole or in part, at 100 percent of the principal amount plus accrued and unpaid interest.

FLUOR CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

UNAUDITED

- (9) In December 2003, the Financial Accounting Standards Board ("FASB") issued SFAS No. 132 (revised December 2003), "Employers' Disclosures about Pensions and Other Postretirement Benefits" ("SFAS 132-R"). This statement amends the disclosure requirements of SFAS 132 to require more details about retirement plan assets, benefit obligations, cash flows and other relevant information. SFAS 132-R is effective for years ending after December 15, 2003, except certain benefit payment and international plan disclosures that are effective for fiscal years ending after June 15, 2004. Disclosures relating to international plans are included in the accompanying information.

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

\$ in thousands	Three Months Ended June 30		Six Months Ended June 30	
	2004	2003	2004	2003
Service cost	\$ 8,800	\$ 8,373	\$ 17,697	\$ 16,648
Interest cost	11,211	10,132	21,198	18,958
Expected return on assets	(13,184)	(10,560)	(25,230)	(19,935)
Amortization of transition asset	(234)	(253)	(354)	(378)
Amortization of prior service cost	(25)	(16)	(52)	(31)
Recognized net actuarial loss	4,828	5,539	9,249	10,447
Net periodic pension expense	\$ 11,396	\$ 13,215	\$ 22,508	\$ 25,709

The company currently expects to fund approximately \$30 to \$50 million for the calendar year 2004 compared with \$52.5 million funded in calendar 2003. No contributions were made during the six months ended June 30, 2004.

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

\$ in thousands	Three Months Ended June 30		Six Months Ended June 30	
	2004	2003	2004	2003
Service cost	\$ --	\$ --	\$ --	\$ --
Interest cost	483	560	967	1,121
Expected return on assets	--	--	--	--
Amortization of transition asset	--	--	--	--
Amortization of prior service cost	--	--	--	--
Recognized net actuarial loss	231	158	462	316
Net periodic pension expense	\$ 714	\$ 718	\$ 1,429	\$ 1,437

On December 8, 2003, the Medicare Prescription Drug Improvement and Modernization Act of 2003 (the "Act") was signed into law. The Act introduced a prescription drug benefit under Medicare (Medicare Part D) and a federal subsidy to sponsors of retirement health care plans that provide a benefit that is at least actuarially equivalent to Medicare Part D. In May 2004, the FASB issued Staff Position 106-2, "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003" ("FSP 106-2") providing guidance on accounting for the effects of the Act and specific disclosure requirements. Detailed regulations necessary to implement the Act have not been issued, including those that would specify the manner in which actuarial equivalency must be determined, the evidence required to demonstrate actuarial equivalency, and the documentation requirements necessary to

FLUOR CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

UNAUDITED

be entitled to the subsidy. FSP 106-2 is effective for the company in the third quarter of 2004. The company is currently evaluating the impact of this guidance on its financial position, results of operations and cash flows.

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

- (10) In December 2003, the FASB issued Interpretation No. 46 (Revised), "Consolidation of Variable Interest Entities" ("FIN 46-R"). FIN 46-R provides the principles to consider in determining when variable interest entities must be consolidated in the financial statements of the primary beneficiary. In general, a variable interest entity is an entity used for business purposes that either (a) does not have equity investors with voting rights or (b) has equity investors that are not required to provide sufficient financial resources for the entity to support its activities without additional subordinated financial support. FIN 46-R requires a variable interest entity to be consolidated by a company if that company is subject to a majority of the risk of loss from the variable interest entity's activities or entitled to receive a majority of the entity's residual returns or both. A company that consolidates a variable interest entity is called the primary beneficiary of that entity.

The company executes certain contracts jointly through partnerships and joint ventures with unrelated third parties that may be subject to the requirements of FIN 46-R. The company has evaluated the applicability of FIN 46-R to existing partnerships and joint ventures as of June 30, 2004 and determined that no material changes are required in the accounting or financial reporting for these entities.

The company's engineering office facilities in Aliso Viejo, California ("Aliso Viejo") and Calgary, Alberta, Canada ("Calgary") were leased through arrangements involving variable interest entities. Beginning in the first quarter of 2003, the company consolidated these entities in its financial statements as prescribed by FIN 46-R. The cumulative impact of the difference in earnings, amounting to a net charge of \$10.4 million, was reported in the first quarter of 2003 as the cumulative effect of a change in accounting principle.

In February 2004, the company retired \$100 million of debt through the exercise of its option to purchase the Aliso Viejo engineering and office facilities. At June 30, 2004, Property, plant and equipment and long-term debt included \$24.9 million and \$26.8 million, respectively, related to the consolidation of the Calgary entity. The long-term debt provides for interest only payments at interest rates based on a reference rate (Canadian banker's acceptance) plus a margin. Maturity on the debt coincides with the term of the lease, which expires in 2006. Rent payments are equal to the debt service on the underlying financing.

In July 2004, the company exercised its option to purchase the Calgary engineering and office facilities. The purchase will be completed in the third quarter of 2004.

FLUOR CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

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- (11) In September 2001, the Board of Directors approved a plan to dispose of certain non-core operations of the company's construction equipment and temporary staffing operations. At June 30, 2003, the company had completed the sale of its discontinued operations. Prior to completion of the sale, the company recorded an additional after-tax impairment provision which included adjustments to deferred taxes, to recognize further deterioration in its fair value due to continued severely depressed conditions in the equipment rental industry.

The revenues and loss from discontinued operations for the three and six months ended June 30, 2003 are as follows:

\$ in thousands	Three Months Ended June 30, 2003	Six Months Ended June 30, 2003
Revenue		
Dealership operations	\$ 13,695	\$ 30,097
Other equipment operations	--	--
Temporary staffing operations	--	34
Total revenue	<u>\$ 13,695</u>	<u>\$ 30,131</u>
Earnings (loss) from discontinued operations		
Dealership operations	\$ 1,599	\$ 2,575
Other equipment operations	119	117
Temporary staffing operations	609	(404)
Earnings from discontinued operations before tax	<u>2,327</u>	<u>2,288</u>
Income tax expense	(691)	(800)
Earnings from discontinued operations	<u>\$ 1,636</u>	<u>\$ 1,488</u>
Gain (loss) on disposal before tax	\$ 660	\$ (7,386)
Income tax expense	(288)	(5,718)
Gain (loss) on disposal	<u>\$ 372</u>	<u>\$ (13,104)</u>

- (12) The company and certain of its subsidiaries are involved in litigation in the ordinary course of business. In addition, the company and certain of its subsidiaries are contingently liable for commitments and performance guarantees arising in the ordinary course of business. Claims arising from engineering and construction contracts have been made against the company by clients, and the company has made certain claims against clients for costs incurred in excess of the contract provisions. The company recognizes significant claims for recovery of incurred costs when it is probable that the claim will result in additional contract revenue and when the amount of the claim can be reliably estimated. Recognized claims against clients amounted to \$16 million at both June 30, 2004 and December 31, 2003. While amounts ultimately realized from claims could differ materially from the balances included in the financial statements, the company does not expect that claim recoveries will have a material effect on its consolidated financial position or results of operations.

The current status on matters in the dispute resolution process, none of which are expected to have a material adverse effect on consolidated financial position or results of operations, is as follows:

FLUOR CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

UNAUDITED

Murrin Murrin

On May 5, 2004, Fluor Australia and its client, Anaconda Nickel ("Anaconda") entered into a settlement agreement resolving all disputes related to the Murrin Murrin Nickel Cobalt project located in Western Australia. Fluor Australia paid the equivalent of approximately US\$120 million to end all remaining claims under both the first and second phases of arbitration, including any appeals. The payment had no material effect on the company's financial position or results of operations for the current quarter as the amount was funded by the company's insurers.

In September 2002, the first phase of arbitration resulted in an award to Anaconda of A\$147 million (subsequently amended to A\$150 million [US\$84.0 million]) and an award to Fluor Australia of A\$107 million [US\$59.9 million] for amounts owing from Anaconda under the contract. The company had previously recovered the first phase award plus substantially all defense costs incurred from available insurance.

Fluor Daniel International and Fluor Arabia Ltd. v. General Electric Company, et al

In October 1998, Fluor Daniel International and Fluor Arabia Ltd. filed a complaint in the United States District Court for the Southern District of New York against General Electric Company and certain operating subsidiaries as well as Saudi American General Electric, a Saudi Arabian corporation. The complaint seeks damages in connection with the procurement, engineering and construction of the Rabigh Combined Cycle Power Plant in Saudi Arabia. Subsequent to a motion to compel arbitration of the matter, the company initiated arbitration proceedings in New York under the American Arbitration Association international rules. The evidentiary phase of the arbitration has been concluded and a decision is expected in the second half of 2004.

Dearborn Industrial Project

The Dearborn Industrial Project (the "Project") started as a co-generation combined cycle power plant project in Dearborn, Michigan. The initial Turnkey Agreement, dated November 24, 1998, consisted of three phases. Commencing shortly after Notice to Proceed, the owner/operator, Dearborn Industrial Generation ("DIG"), issued substantial change orders enlarging the scope of the project.

The Project has been severely delayed with completion of Phase II. DIG has unilaterally taken over completion and operation of Phase II and is commissioning that portion of the plant. Shortly thereafter, DIG drew upon a \$30 million letter of credit which Duke/Fluor Daniel ("D/FD") expects to recover upon resolution of the dispute. D/FD retains lien rights (in fee) against the project. In October 2001, D/FD commenced an action in Michigan State Court to foreclose on the lien interest.

In December 2001, DIG filed a responsive pleading denying liability and simultaneously served a demand for arbitration to D/FD claiming, among other things, that D/FD is liable to DIG for alleged construction delays and defective engineering and construction work at the Dearborn plant. The court has ordered the matter to arbitration. The lien action remains stayed pending completion of the arbitration of D/FD's claims against DIG and DIG's claims against D/FD. An arbitration panel has been appointed and the arbitration will likely proceed in early 2005.

FLUOR CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

UNAUDITED

Hamaca Crude Upgrader

A major ongoing project in the Oil & Gas segment is the Hamaca Crude Upgrader Project ("Hamaca") located in Jose, Venezuela. Hamaca is a \$1.1 billion lump sum project (including \$92 million of approved change orders) of Grupo Alvica ("GA"), a joint venture including Fluor Daniel (80 percent) and Inelectra C.A. (20 percent), to design and build a petroleum upgrader for a consortium of owners called Petrolera Ameriven ("PA") including Petroleos de Venezuela S.A., ChevronTexaco and ConocoPhillips.

The GA joint venture is pursuing the following three cost and schedule relief issues:

- modifications and extra work arising from differing site soil conditions,
- costs arising from the site labor agreement for 2000 called "Acta Convenio" and
- events in Venezuela in early 2003, including a national strike and other force majeure incidents.

The site soil conditions issue was the subject of arbitration hearings in November 2002. There are no monetary cross-claims by PA in the arbitration. The amount of the claim for site soil conditions of \$159 million includes the direct costs as well as significant delay-related and indirect costs. In April 2004, the arbitration panel awarded GA \$36 million for direct cost of the site soil conditions remediation work, virtually all of the amounts sought by GA for this issue. The client had previously conditionally accepted responsibility relating to the soil conditions matter and \$28 million had been paid. The balance of the \$36 million award amount was received in April 2004. The award confirmed GA's methodology for computing the amount of all change orders arising under the contract. In addition, the award also granted GA approximately 14 weeks of schedule relief. The delay and indirect costs were the subject of hearings in June 2004.

The hearings on the fundamental cost differences between the earlier 1998 labor agreement and the 2000 Acta Convenio were held in April 2003. The amount of the claim for Acta Convenio is \$210 million and no payments have been made by the client relating to this matter.

In accordance with the contract, the joint venture is entitled to cost and schedule relief for the impact of the national strike in Venezuela. A change order relating to the national strike in the approximate amount of \$340 million was submitted by GA. This action was followed by the filing of an arbitration claim relating to this issue in January 2004. The arbitration panel ordered hearings on this issue in December 2004 and January 2005. Other force majeure incidents occurring prior to the national strike also were the subject of arbitration hearings in October 2003.

Incurred costs associated with delay and indirect costs related to the soil conditions, Acta Convenio, the recent national strike and other claims are probable of being recovered and thus are being deferred. These costs will be recognized in revenue when a change order is approved or payment is received. As of June 30, 2004, incurred costs amounting to \$220.8 million have been deferred. Substantial additional costs are expected to be incurred as GA approaches project completion. The company believes that schedule relief awarded in connection with the direct costs of the site soil conditions, along with other delay days requested on the other issues, will be sufficient to avoid the imposition of liquidated damages. If costs relating to Acta Convenio, soil conditions, the recent national strike or other claims are determined to be not recoverable or liquidated damages are assessed, the company could face material reduced profits or losses on this project, along with lower levels of cash and additional borrowings. The project remains subject to future disruptions that could result in additional costs and claims.

FLUOR CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

UNAUDITED

- (13) In the ordinary course of business, the company enters into various agreements providing financial or performance assurances to clients on behalf of certain unconsolidated subsidiaries, joint ventures and other jointly executed contracts. These agreements are entered into primarily to support the project execution commitments of these entities. The guarantees have various expiration dates ranging from mechanical completion of the facilities being constructed to a period extending beyond contract completion in certain circumstances. The maximum potential payment amount of an outstanding performance guarantee is the remaining cost of work to be performed by or on behalf of clients and other third parties under engineering and construction contracts. In most cases any amounts expended on behalf of a partner or joint venture participant pursuant to performance guarantees would be recovered from the client or other third party for work performed in the ordinary course of contract execution. As of June 30, 2004, no material changes to financial or performance assurances to clients have occurred since the filing of the company's December 31, 2003 annual report on Form 10-K.

Financial guarantees, made in the ordinary course of business on behalf of clients and others in certain limited circumstances, are entered into with financial institutions and other credit grantors and generally obligate the company to make payment in the event of a default by the borrower. Most arrangements require the borrower to pledge collateral in the form of property, plant and equipment which is deemed adequate to recover amounts the company might be required to pay. The company was not obligated for any material financial guarantees of the debt of third parties as of June 30, 2004.

FLUOR CORPORATION

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis is provided to increase understanding of, and should be read in conjunction with, the condensed consolidated financial statements and accompanying notes and the company's December 31, 2003 annual report on Form 10-K. For purposes of reviewing this document, "operating profit" is calculated as revenues less cost of revenues.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Certain statements made herein, including statements regarding the company's projected earnings levels, new awards and backlog levels and the implementation of strategic initiatives and organizational changes are forward-looking in nature. These forward-looking statements reflect current analysis of existing information and are subject to various risks and uncertainties. As a result, caution must be exercised in relying on forward-looking statements. Due to known and unknown risks, the company's actual results may differ materially from its expectations or projections. Factors potentially contributing to such differences include, among others:

- Changes in global business, economic (including currency risk), political and social conditions;
- The company's failure to receive anticipated new contract awards;
- Customer cancellations of, or scope adjustments to, existing contracts, including our government contracts that may be terminated at any time;
- The cyclical nature of many of the markets the company serves and its vulnerability to downturns;
- Difficulties or delays incurred in the execution of construction contracts, including performance by our joint venture partners, resulting in cost overruns or liabilities;
- Failure to meet timely completion or performance standards could result in higher costs and reduced profits or, in some cases losses on projects;
- A failure to obtain favorable results in existing or future litigation or dispute resolution proceedings;
- Customer delays or defaults in making payments;
- The potential impact of certain tax matters including, but not limited to, those resulting from the company's reverse spin-off transaction consummated November 30, 2000 involving Massey Energy Company;
- The impact of past and future environmental, health and safety regulations;
- Competition in the global engineering, procurement and construction industry;
- The company's ability to identify and successfully integrate acquisitions; and
- Conversion of our outstanding convertible securities that would dilute ownership interests of existing stockholders and could adversely affect the market price of our common stock.

While most risks affect only future costs or revenues anticipated by the company, some risks may relate to accruals that have already been reflected in earnings. The company's failure to receive payments of accrued amounts or if liabilities are incurred in excess of amounts previously recognized, a charge against future earnings could result.

Additional information concerning these and other factors can be found in our press releases as well as our periodic filings with the Securities and Exchange Commission, including the discussion under the heading "Item 1. Business-Other Matters-Company Business Risks" in the company's Form 10-K filed March 15, 2004. These filings are available publicly on the SEC's website at <http://www.sec.gov>, on Fluor's website at <http://investor.fluor.com> or upon request from Fluor's Investor Relations Department: (949) 349-3909. The company disclaims any intent or obligation to update its forward-looking statements, whether as a result of new information, future events or otherwise.

RESULTS OF OPERATIONS

Net earnings in the three and six months ended June 30, 2004 were \$44.8 million or \$0.54 per diluted share and \$91.5 million or \$1.11 per diluted share, respectively. These results compare with net earnings of \$45.0 million or \$0.56 per diluted share and \$61.9 million or \$0.77 per diluted share for the same periods of 2003. Results for the six months ended June 30, 2003 include a loss of \$11.6 million or \$0.15 per diluted share from discontinued operations relating to the disposal of an equipment dealership. In addition, results for the six months ended June 30, 2003 include a net charge of \$10.4 million or \$0.13 per diluted share for the cumulative effect of a change in accounting principle relating to the consolidation of variable interest entities.

Revenues from continuing operations for the three and six months ended June 30, 2004 were \$2.2 billion and \$4.3 billion, respectively, essentially flat with revenues in the 2003 comparison periods. Earnings from continuing operations in the first half of 2004 include a pre-tax gain amounting to \$7.4 million from the sale of three real estate assets. The three and six months ended June 30, 2003 include a pre-tax provision of \$7.4 million for impairment of an equity investment earned in exchange for consulting services provided on a magnesium project in Australia.

The company continued to experience a trend away from power projects as demand for new power plant construction remains at a low level resulting in lower revenues and earnings from this market in the first half of 2004. Revenues and earnings from continuing operations were also negatively impacted by the lower level of new project awards in the economically sensitive mining, chemicals and manufacturing markets experienced in 2003. In addition, the company's 2003 decision to remove from backlog a mining project and certain commercial projects had a negative impact on the volume of work performed in the first half of 2004. A partial offset to these impacts is the positive trend for new awards in the Government segment resulting in a significant increase in work performed on projects for the U.S. Government in the first half of 2004. The company also benefited from increased revenues beginning in the first quarter of 2004 from business acquisitions completed in 2003.

Consolidated new awards for the three and six months ended June 30, 2004 were \$3.3 billion and \$6.4 billion, up 46 percent and 32 percent, respectively, compared with the same periods in 2003. New awards in the 2004 periods include a broad diversity of projects in the Oil & Gas, Industrial & Infrastructure, Government and Global Services segments reflecting the continuing improvement in the global economic environment. Major new awards in the second quarter of 2004 included an oil sands project in Canada (Oil & Gas), a major mining project in Chile and a large manufacturing facility in Taiwan (Industrial & Infrastructure). Consolidated backlog at June 30, 2004 increased 23 percent to \$12.9 billion from \$10.5 billion at June 30, 2003. Approximately 75 percent of consolidated new awards for the six months ended June 30, 2004 were for projects located outside of the United States. As of June 30, 2004, approximately 64 percent of consolidated backlog relates to international projects. Although backlog reflects business which is considered to be firm, cancellations or scope adjustments may occur. Backlog is adjusted to reflect any known project cancellations, deferrals and revised project scope and cost, both upward and downward.

OIL & GAS

Revenues and operating profit for the Oil & Gas segment are summarized as follows:

\$ in millions	Three Months Ended June 30		Six Months Ended June 30	
	2004	2003	2004	2003
Revenues	\$ 705.0	\$ 639.1	\$ 1,308.9	\$ 1,383.4
Operating profit	30.4	30.7	57.5	57.5

Revenues were 10 percent higher in the second quarter of 2004 compared with the same period in 2003. The increase reflects a growing level of activity in the 2004 period on recent new awards that are in the early stages of execution compared with decreasing activity in the 2003 period primarily in downstream clean fuels projects nearing completion. Revenue for the first six months of 2004 includes a higher level of front-end engineering services which do not generate significant revenue but do result in higher operating margins. Operating profit margin in the three months ended June 30, 2004 was lower compared with the same period in 2003 due to a higher content of procurement activity which has lower margins. Operating profit margin was slightly improved in the six month 2004 period compared with the same period in 2003 primarily reflecting the overall higher margin engineering services component of revenue.

A major ongoing project in the Oil & Gas segment is the Hamaca Crude Upgrader Project ("Hamaca") located in Jose, Venezuela. Hamaca is a \$1.1 billion lump sum project (including \$92 million of approved change orders) of Grupo Alvica ("GA"), a joint venture including Fluor Daniel (80 percent) and Inelectra C.A. (20 percent), to design and build a petroleum upgrader for a consortium of owners called Petrolera Ameriven ("PA") including Petroleos de Venezuela S.A., ChevronTexaco and ConocoPhillips.

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- modifications and extra work arising from differing site soil conditions,
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- events in Venezuela in early 2003, including a national strike and other force majeure incidents.

The site soil conditions issue was the subject of arbitration hearings in November 2002. There are no monetary cross-claims by PA in the arbitration. The amount of the claim for site soil conditions of \$159 million includes the direct costs as well as significant delay-related and indirect costs. In April 2004, the arbitration panel awarded GA \$36 million for direct cost of the site soil conditions remediation work, virtually all of the amounts sought by GA for this issue. The client had previously conditionally accepted responsibility relating to the soil conditions matter and \$28 million had been paid. The balance of the \$36 million award amount was received in April 2004. The award confirmed GA's methodology for computing the amount of all change orders arising under the contract. In addition, the award also granted GA approximately 14 weeks of schedule relief. The delay and indirect costs were the subject of hearings in June 2004.

The hearings on the fundamental cost differences between the earlier 1998 labor agreement and the 2000 Acta Convenio were held in April 2003. The amount of the claim for Acta Convenio is \$210 million and no payments have been made by the client relating to this matter.

In accordance with the contract, the joint venture is entitled to cost and schedule relief for the impact of the national strike in Venezuela. A change order relating to the national strike in the approximate amount of \$340 million was submitted by GA. This action was followed by the filing of an arbitration claim relating to this issue in January 2004. The arbitration panel ordered hearings on this issue in December 2004 and January 2005. Other force majeure incidents occurring prior to the national strike also were the subject of arbitration hearings in October 2003.

Incurred costs associated with delay and indirect costs related to the soil conditions, Acta Convenio, the recent national strike and other claims are probable of being recovered and thus are being deferred. These costs will be recognized in revenue when a change order is approved or payment is received. As of June 30, 2004, incurred costs amounting to \$220.8 million have been deferred. Substantial additional costs are expected to be incurred as GA approaches project completion. The company believes that schedule relief awarded in connection with the direct costs of the site soil conditions, along with other delay days requested on the other issues, will be sufficient to avoid the imposition of liquidated damages. If costs relating to Acta Convenio, soil conditions, the recent national strike or other claims are determined to be not recoverable or liquidated damages are assessed, the company could face material

reduced profits or losses on this project, along with lower levels of cash and additional borrowings. The project remains subject to future disruptions that could result in additional costs and claims.

New awards for the three months ended June 30, 2004 were \$1.3 billion compared with \$1.1 billion in the comparable period of 2003. New awards in the 2004 period included a \$574 million oil sands project in Canada. Backlog at June 30, 2004 increased 40 percent to \$4.9 billion compared with \$3.5 billion at June 30, 2003.

INDUSTRIAL & INFRASTRUCTURE

Revenues and operating profit for the Industrial & Infrastructure segment are summarized as follows:

\$ in millions	Three Months Ended June 30		Six Months Ended June 30	
	2004	2003	2004	2003
Revenues	\$ 485.8	\$ 734.6	\$ 962.6	\$ 1,321.8
Operating profit	15.4	9.6	25.5	26.4

Revenues for the three and six months ended June 30, 2004 decreased 34 percent and 27 percent, respectively, compared with the same periods in 2003 primarily due to slow start-up progress on recently awarded projects and the lower level of new awards in the latter half of 2003. In addition, as discussed above, certain projects that were removed from backlog in the third quarter of 2003 also had a negative impact on the volume of work performed in the first half of 2004. Operating profit margin in the three months ended June 30, 2004 was 3.2 percent compared with 1.3 percent in the comparable period of the prior year. In the second quarter of 2003, a provision amounting to \$7.4 million was recognized for the impairment of an equity investment earned in connection with consulting work on a magnesium project in Australia.

New awards for the three months ended June 30, 2004 were \$1.5 billion compared with \$0.8 billion for the 2003 comparison period. New awards in the 2004 period include a sulphide leach facility to treat marginal grade ore in Chile, a LCD display glass manufacturing plant in Taiwan and increased scope on telecommunications work for the London Underground. For the six months ended June 30, 2004 new awards amounted to \$2.8 billion compared with \$1.4 billion for the same period in 2003. Activity in new awards has strengthened substantially in 2004 reflecting improvement in economically sensitive markets such as mining, chemicals and general manufacturing. Backlog increased to \$4.8 billion at June 30, 2004 compared with \$4.3 billion at June 30, 2003.

GOVERNMENT

Revenues and operating profit for the Government segment are summarized as follows:

\$ in millions	Three Months Ended June 30		Six Months Ended June 30	
	2004	2003	2004	2003
Revenues	\$ 591.5	\$ 352.3	\$ 1,169.1	\$ 685.4
Operating profit	17.7	12.0	45.2	20.6

The increase in revenues in the three and six months ended June 30, 2004 is primarily due to the substantial increase in work performed on projects in Iraq and revenue from entities acquired during 2003. Del-Jen was acquired late in the first quarter of 2003 and J.A. Jones International was acquired in the fourth quarter of 2003. In addition, Trend Western was acquired by Del-Jen in the first quarter of

2004. In total, these acquired businesses contributed \$183 million of revenue in the six months ended June 30, 2004 compared with \$54 million from acquired businesses in the same period of 2003. Work in Iraq contributed approximately \$168 million and \$358 million in revenue in the three and six months ended June 30, 2004, respectively. There was no work in Iraq in the comparable period of 2003. Increased operating profit in the three and six months ended June 30, 2004 compared with the same periods of 2003 is primarily due to earnings on the projects in Iraq and also includes contributions from Del-Jen and J.A. Jones International.

New awards increased substantially to \$239.5 million in the three months ended June 30, 2004 compared with \$143.7 million in the same period a year ago. First half new awards in 2004 totaling \$651 million included approximately \$566 million of new task orders on CETAC 1 and 2, new work on the AFCAP Readiness Management and WERC Earth Tech contracts and the first Nash award to the Fluor/AMEC partnership in Iraq. New awards for work in Iraq are added to backlog as task orders are received.

Backlog at June 30, 2004 increased to \$915 million from \$492 million at the end of the second quarter last year.

GLOBAL SERVICES

Revenues and operating profit for the Global Services segment are summarized as follows:

\$ in millions	Three Months Ended June 30		Six Months Ended June 30	
	2004	2003	2004	2003
Revenues	\$ 303.2	\$ 324.3	\$ 617.3	\$ 589.1
Operating profit	23.3	27.0	43.4	50.2

Revenue and operating profit decreased 7 percent and 14 percent, respectively, in the second quarter of 2004 compared with the same period in 2003. These decreases are primarily due to a lower volume of outage and turnaround work performed. Operating profit for the second quarter of 2004 was also negatively impacted by reduced construction-related site services activities for power and oil and gas projects which have been completed.

New awards and backlog for Global Services reflect operations and maintenance activities. The equipment, temporary staffing and global sourcing and procurement operations do not report backlog due to the short turnaround between the receipt of new awards and the recognition of revenue. New awards for the three months ended June 30, 2004 were up 13 percent to \$247.3 million compared with \$217.9 million in the second quarter of 2003.

Backlog for Global Services at June 30, 2004 was \$1.9 billion compared with \$1.6 billion at June 30, 2003.

POWER

Revenues and operating profit for the Power segment are summarized as follows:

\$ in millions	Three Months Ended June 30		Six Months Ended June 30	
	2004	2003	2004	2003
Revenues	\$ 128.9	\$ 193.1	\$ 219.8	\$ 340.7
Operating profit	12.8	17.8	26.9	39.1

Revenues for the second quarter of 2004 decreased significantly compared with the year ago period reflecting the continuing decline in power plant procurement and construction activity. Operating margin in 2003 reflects performance on projects that were either completed or nearing completion where profit recognition is strongest. Operating profit in the first half of 2004 benefited from settlements relating to projects completed in prior periods.

New project awards in the second quarter of 2004 were \$85 million compared with \$18 million in the prior year comparable period. Demand for new power generation has declined significantly as existing industry capacity is currently meeting demand. Backlog at June 30, 2004 was \$455 million compared with \$595 million at June 30, 2003.

In July 2003, the company jointly announced with Duke Energy Corporation the decision to dissolve the Duke/Fluor Daniel partnership ("D/FD") as a result of the significant decline in the construction of new power plants. The dissolution is not expected to have a material impact on results of operations or financial position of the company. The dissolution is in progress and is expected to be completed in 2005 as remaining project activities are concluded.

OTHER

Corporate general and administrative expense for the three months ended June 30, 2004 was \$33.0 million which is up five percent compared with \$31.3 million in the same period of 2003. Corporate general and administrative expense was lower for the six months ended June 30, 2004 due to the positive impact of pre-tax gains totaling \$7.4 million from the sale of three real estate assets.

During the second quarter of 2004, net interest income was \$0.7 million compared with net interest income of \$0.4 million in the same period of 2003. For the six months ended June 30, 2004 net interest expense of \$0.1 million compares with \$1.0 net interest income in the same period of 2003 reflecting the higher level of outstanding borrowings in the 2004 period compared with 2003.

The effective tax rate on the company's continuing operations for the six months ended June 30, 2004 was 33.5 percent compared with 33.8 percent in the 2003 period. The effective tax rate for the remainder of the year is projected to be approximately 33 to 34 percent compared with 33 percent for the full year of 2003.

MATTERS IN DISPUTE RESOLUTION

As of June 30, 2004, several matters on certain completed and in progress projects are in the dispute resolution process. The following discussion provides a background and current status of these matters:

Murrin Murrin

On May 5, 2004, Fluor Australia and its client, Anaconda Nickel ("Anaconda") entered into a settlement agreement resolving all disputes related to the Murrin Murrin Nickel Cobalt project located in Western Australia. Fluor Australia paid the equivalent of approximately US\$120 million to end all remaining claims under both the first and second phases of arbitration, including any appeals. The payment had no material effect on the company's financial position or results of operations for the current quarter as the amount was funded by the company's insurers.

In September 2002, the first phase of arbitration resulted in an award to Anaconda of A\$147 million (subsequently amended to A\$150 million [US\$84.0 million]) and an award to Fluor Australia of A\$107 million [US\$59.9 million] for amounts owing from Anaconda under the contract. The company had previously recovered the first phase award plus substantially all defense costs incurred from available insurance.

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In October 1998, Fluor Daniel International and Fluor Arabia Ltd. filed a complaint in the United States District Court for the Southern District of New York against General Electric Company and certain operating subsidiaries as well as Saudi American General Electric, a Saudi Arabian corporation. The complaint seeks damages in connection with the procurement, engineering and construction of the Rabigh Combined Cycle Power Plant in Saudi Arabia. Subsequent to a motion to compel arbitration of the matter, the company initiated arbitration proceedings in New York under the American Arbitration Association international rules. The evidentiary phase of the arbitration has been concluded and a decision is expected in the second half of 2004.

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The Dearborn Industrial Project (the "Project") started as a co-generation combined cycle power plant project in Dearborn, Michigan. The initial Turnkey Agreement, dated November 24, 1998, consisted of three phases. Commencing shortly after Notice to Proceed, the owner/operator, Dearborn Industrial Generation ("DIG"), issued substantial change orders enlarging the scope of the project.

The Project has been severely delayed with completion of Phase II. DIG has unilaterally taken over completion and operation of Phase II and is commissioning that portion of the plant. Shortly thereafter, DIG drew upon a \$30 million letter of credit which Duke/Fluor Daniel ("D/FD") expects to recover upon resolution of the dispute. D/FD retains lien rights (in fee) against the project. In October 2001, D/FD commenced an action in Michigan State Court to foreclose on the lien interest.

In December 2001, DIG filed a responsive pleading denying liability and simultaneously served a demand for arbitration to D/FD claiming, among other things, that D/FD is liable to DIG for alleged construction delays and defective engineering and construction work at the Dearborn plant. The court has ordered the matter to arbitration. The lien action remains stayed pending completion of the arbitration of D/FD's claims against DIG and DIG's claims against D/FD. An arbitration panel has been appointed and the arbitration will likely proceed in early 2005.

Hamaca Crude Upgrader

Discussion of the status of the Hamaca project is included above under Oil & Gas.

FINANCIAL POSITION AND LIQUIDITY

During the first half of 2004, cash was generated from operations, issuance of debt in excess of debt reduction and sales of excess real estate. In the first half of 2003, cash used by operating activities was the primary reason for a substantial reduction in cash balances. In the first six months of both 2004 and 2003, niche acquisitions were made that will enhance existing operations in the Government and Global Services segments.

In the first half of 2004, cash provided by operating activities was \$17.5 million. The increase is primarily attributable to cash provided by earnings sources which was partially offset by an increase in operating assets and liabilities. The Oil & Gas segment has experienced a significant increase in contract work in progress and reduction in client advances due in large part to costs incurred related to contract performance on the Hamaca project in Venezuela. A significant portion of these amounts result from incurred costs relating to change orders that are in the dispute resolution process. At June 30, 2004, the company has deferred its share of these costs amounting to \$220.8 million, of which \$41.2 million was funded in the first six months of 2004. On-going work on Hamaca not associated with change orders used approximately \$0.7 million of cash advances received in prior years. Also contributing to the use of cash was a net reduction of \$30.9 million in advances from Duke/Fluor Daniel partnership ("D/FD") as power projects were completed and advance payments previously received from clients for those projects

was expended. Cash amounting to approximately \$223 million in the first half of 2003 was used to fund progress on the Hamaca project and to repay advances on D/FD. In July 2003, the company jointly announced with Duke Energy Corporation the decision to dissolve the D/FD partnership as a result of the significant decline in the construction of new power plants. The dissolution is not expected to have a material impact on cash flows in 2004. The levels of operating assets and liabilities vary from year to year and are affected by the mix, stage of completion and commercial terms of engineering and construction projects.

Cash flows from investing activities in the first half of 2004 included \$50.2 million from the sale of three real estate properties and \$10.9 million from the disposal of other property, plant and equipment. Partially offsetting these transactions was \$33.0 million used to acquire Trend Western, a provider of logistics and operations services to military bases in the United States and Guam. In the first six months of 2003, \$54.5 million was used for two niche acquisitions. Del-Jen, a provider of outsourcing services to the US Government, and Plant Performance Services, a provider of specialty operations and maintenance services, was purchased for \$33.3 million and \$21.2 million, respectively, in cash. The sale of the last remaining AMECO dealership operation in the second quarter of 2003 resulted in proceeds of \$31.9 million. Capital expenditures for continuing operations, primarily for on-going renewal and replacement in the construction equipment operations, were \$42.5 million in the first six months of 2004 compared with \$28.4 million in the same period of 2003.

Cash generated from financing activities in the first half of 2004 was provided by the issuance of convertible senior notes resulting in net proceeds of \$322.5 million. The company utilized a portion of these proceeds to repay \$121.5 million in commercial paper and \$100.0 million in outstanding debt on its Aliso Viejo, California facilities. The convertible notes are due February 15, 2024 and bear interest at 1.5 percent per annum. Interest is payable semi-annually on February 15 and August 15 of each year. The company's debt-to-capital ratio at June 30, 2004 is 24.2 percent compared with 19.7 percent at December 31, 2003. Also contributing to cash flows in the first half of 2004 was cash received from the exercise of stock options that largely offset cash utilized for the payment of dividends (\$0.32 per share).

Liquidity is provided by cash generated from operations, customer advances on contracts in progress and access to financial markets. As customer advances are reduced through use in project execution and not replaced by advances on new projects, the company's cash position will be reduced. Cash is also required and is being provided to fund work performed on the Hamaca project in Venezuela. This project is incurring significant costs for work relating to change orders that are subject to arbitration proceedings. The requirements for operating liquidity could result in the need for short-term borrowings. The company has \$300 million in unutilized commercial paper back-up lines of credit. For the next 12 months, cash generated from operations supplemented by borrowings under credit facilities or the issuance of debt securities are expected to be sufficient to fund operations.

Off-Balance Sheet Arrangements

The company maintains a variety of commercial commitments that are generally made available to provide support for various commercial provisions in its engineering and construction contracts. The company has \$756 million in short-term committed and uncommitted credit lines to support letters of credit. Letters of credit are issued in the ordinary course of business to clients to support advance payments, in lieu of retention, as performance guarantees for projects and certain other corporate purposes. Primarily as a result of the company's strong credit standing which provides the availability of letters of credit capacity, retainage on engineering and construction contracts is minimal. In certain limited circumstances, the company also posts surety bonds to guarantee its performance on contracts.

In the first quarter of 2004, changes in the company's contractual obligations included the issuance of \$330 million of 1.5 percent convertible senior notes and repayment of \$100 million of lease financing. As of June 30, 2004, no other material changes had occurred with regard to the company's commercial commitments and contractual obligations as disclosed in the company's December 31, 2003 annual report on Form 10-K.

In July 2004, the company entered into a new, five-year, \$800 million Senior Credit Facility. The agreement replaced existing facilities totaling \$700 million. Of the total capacity, \$300 million will be dedicated to commercial paper back-up lines. The balance is available for letters of credit and funded loans. The company may borrow up to \$300 million under unsecured committed revolving short- and long-term lines of credit and up to \$500 million in committed lines of credit to support letters of credit. Borrowings on committed lines bear interest at rates based on the London Interbank Offered Rate ("LIBOR") plus an applicable borrowing margin or the prime rate.

In the ordinary course of business, the company enters into various agreements providing financial or performance assurances to clients on behalf of certain unconsolidated subsidiaries, joint ventures and other jointly executed contracts. These agreements are entered into primarily to support the project execution commitments of these entities. The guarantees have various expiration dates ranging from mechanical completion of the facilities being constructed to a period extending beyond contract completion in certain circumstances. The maximum potential payment amount of an outstanding performance guarantee is the remaining cost of work to be performed by or on behalf of clients and other third parties under engineering and construction contracts. In most cases any amounts expended on behalf of a partner or joint venture participant pursuant to performance guarantees would be recovered from the client or other third party for work performed in the ordinary course of contract execution. As of June 30, 2004, no material changes to financial or performance assurances to clients have occurred since the filing of the company's December 31, 2003 annual report on Form 10-K.

Financial guarantees, made in the ordinary course of business on behalf of clients and others in certain limited circumstances, are entered into with financial institutions and other credit grantors and generally obligate the company to make payment in the event of a default by the borrower. Most arrangements require the borrower to pledge collateral in the form of property, plant and equipment which is deemed adequate to recover amounts the company might be required to pay. The company was not obligated for any material financial guarantees of the debt of third parties as of June 30, 2004.

Financial Instruments

The company utilizes forward exchange contracts to hedge foreign currency transactions entered into in the ordinary course of business and not to engage in currency speculation. At June 30, 2004, the company had forward foreign exchange contracts of less than 36 months duration to exchange principally; Euros, British pounds, Canadian dollars and South African rand for U.S. dollars. The total gross notional amount of these contracts at June 30, 2004 was \$55 million representing forward contracts to purchase foreign currency.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this report, under the supervision and with the participation of our management, including our chief executive officer and chief financial officer, we conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures. Based on this evaluation, our chief executive officer and chief financial officer concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective in alerting them on a timely basis to material information relating to the company that is required to be included in our periodic reports filed with the SEC.

To maintain a cost-effective controls structure, management necessarily applied its judgment in assessing the costs and benefits of such controls and procedures, which, by their nature, can only provide reasonable assurance that our management's control objectives are met. In addition, the design of any system of control is based upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all future events, no matter how remote.

Changes in Internal Controls over Financial Reporting

There were no changes to our internal controls over financial reporting that occurred during the three months ended on the date of this report that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

FLUOR CORPORATION
CHANGES IN CONSOLIDATED BACKLOG
 Three and Six Months Ended June 30, 2004 and 2003

UNAUDITED

\$ in millions	Three Months Ended June 30	
	2004	2003
Backlog – beginning of period	\$ 11,864.6	\$ 10,303.0
New awards	3,306.5	2,267.8
Adjustments and cancellations, net	(84.1)	94.6
Work performed	(2,167.6)	(2,202.3)
Backlog – end of period	\$ 12,919.4	\$ 10,463.1

	Six Months Ended June 30	
	2004	2003
Backlog – beginning of period	\$ 10,607.1	\$ 9,709.1
New awards	6,434.2	4,886.3
Adjustments and cancellations, net	64.4	107.9
Work performed	(4,186.3)	(4,240.2)
Backlog – end of period	\$ 12,919.4	\$ 10,463.1

PART II: OTHER INFORMATION

Item 1. Legal Proceedings

Fluor and its subsidiaries, incident to their normal business activities, are parties to a number of legal proceedings and other matters in various stages of development. While we cannot predict the outcome of these proceedings, in our opinion and based on reports of counsel, any liability arising from these matters individually and in the aggregate are not expected to have a material adverse effect upon the consolidated financial position, or the results of operations of the company, after giving effect to provisions already recorded.

In addition to the matters described above, we are involved in disputes with respect to the Hamaca Crude Upgrader Project located in Jose, Venezuela. We are part of a joint venture which is actively proceeding on a number of issues under binding arbitration to recover certain costs we have incurred with respect to this project. For additional information on the Hamaca dispute, see the section entitled "Results of Operations – Oil & Gas" in Part I, Item 2 in Management's Discussion and Analysis of Financial Condition and Results of Operation, above.

Item 2. Changes in Securities, Use of Proceeds and Issuer Purchases of Equity Securities

- (e) The following table provides information about purchases by the company during the quarter ended June 30, 2004 of equity securities that are registered by the company pursuant to Section 12 of the Exchange Act:

Issuer Purchases of Equity Securities

(in thousands, except per share data)

Period	Total Number of Shares Purchased ⁽¹⁾	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Program ⁽²⁾
April 1, 2004 – April 30, 2004	2	\$ 38.83	N/A	4,141
May 1, 2004 – May 31, 2004	3	\$ 38.21	N/A	4,141
June 1, 2004 – June 30, 2004	0	N/A	N/A	4,141

⁽¹⁾ Shares cancelled as payment for statutory withholding taxes upon the vesting of restricted stock issued pursuant to equity based employee benefit plans.

⁽²⁾ On September 20, 2001, the company announced that the Board of Directors had approved the repurchase of up to five(5) million shares of our common stock. That authorization is ongoing and does not have an expiration date.

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits.

Exhibit	Description
3.1	Amended and Restated Certificate of Incorporation of the registrant ⁽¹⁾
3.2	Amended and Restated Bylaws of the registrant ⁽²⁾
4.1	Indenture between Fluor Corporation and Bank of New York, as trustee dated as of February 17, 2004 ⁽³⁾
10.1	Distribution Agreement between the registrant and Fluor Corporation (renamed Massey Energy Company) ⁽⁴⁾
10.2	Tax Sharing Agreement between Fluor Corporation and A.T. Massey Coal Company, Inc. ⁽⁵⁾
10.3	Special Retention Program, dated March 7, 2000, between Fluor Corporation and Alan L. Boeckmann ⁽¹⁾
10.4	Special Retention Program, dated September 12, 2000, between Fluor Corporation and Mark A. Stevens ⁽⁶⁾
10.5	Fluor Corporation 2000 Executive Performance Incentive Plan ⁽⁷⁾
10.6	Fluor Corporation 2000 Restricted Stock Plan for Non-Employee Directors, as amended and restated effective April 28, 2004 ⁽⁸⁾
10.7	Fluor Corporation Executive Deferred Compensation Plan, as amended and restated effective January 1, 2002 ⁽⁹⁾
10.8	Fluor Corporation Deferred Director's Fees Program, as amended and restated effective January 1, 2002 ⁽⁶⁾
10.9	Directors' Life Insurance Summary ⁽¹⁾
10.10	Fluor Executives' Supplemental Benefit Plan ⁽¹⁾
10.11	Fluor Corporation Retirement Plan for Outside Directors ⁽¹⁾
10.12	Executive Severance Plan ⁽²⁾
10.13	2001 Key Employee Performance Incentive Plan ⁽⁹⁾
10.14	2001 Fluor Stock Appreciation Rights Plan ⁽⁹⁾
10.15	Fluor Corporation 2003 Executive Performance Incentive Plan ⁽⁶⁾
10.16	Code of Ethics and Business Conduct, as amended and restated ⁽²⁾
10.17	Offer of Employment Letter dated May 7, 2001 from Fluor Corporation to D. Michael Steuert ⁽²⁾
10.18	Credit Agreement dated as of July 28, 2004 among Fluor Corporation, the lenders party thereto from time to time, BNP Paribas, as Administrative Agent and an Issuing Lender, and Bank of America, N.A. and Citicorp USA, Inc., as Co-Syndication Agents *
31.1	Certification of Chief Executive Officer of Fluor Corporation pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934 *
31.2	Certification of Chief Financial Officer of Fluor Corporation pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934 *

(a) Exhibits. (continued)

Exhibit	Description
32.1	Certification of Chief Executive Officer of Fluor Corporation pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 *
32.2	Certification of Chief Financial Officer of Fluor Corporation pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 *

* New exhibit filed with this report.

- (1) Filed as the same numbered exhibit to the Registrant's Registration Statement on Form 10/A (Amendment No. 1) filed on November 22, 2000 and incorporated herein by reference.
- (2) Filed as an exhibit to the Registrant's report on Form 10-K filed on March 15, 2004 and incorporated herein by reference.
- (3) Filed as an exhibit to the Registrant's report on Form 8-K filed on February 17, 2004 incorporated herein by reference.
- (4) Filed as Exhibit 10.1 to the Registrant's report on Form 8-K dated December 7, 2000 and incorporated herein by reference.
- (5) Filed as Exhibit 10.2 to the Registrant's report on Form 8-K dated December 7, 2000 and incorporated herein by reference.
- (6) Filed as an exhibit to the Registrant's report on Form 10-K filed on March 31, 2003 and incorporated herein by reference.
- (7) Filed as Exhibit 10.1 to the Registrant's report on Form 8-K dated December 29, 2000 and incorporated herein by reference.
- (8) Filed as an exhibit to the Registrant's Registration Statement on Form S-8 filed on April 30, 2004 and incorporated herein by reference.
- (9) Filed as an exhibit to the Registrant's report on Form 10-K filed on March 21, 2002 and incorporated herein by reference.

(b) Reports on Form 8-K.

Current Report on Form 8-K dated April 29, 2004, furnishing a copy of Fluor Corporation's press release announcing its financial results for the quarter ended March 31, 2004, pursuant to Item 12.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

FLUOR CORPORATION

Date: August 9, 2004

/s/ D. Michael Steuert

D. Michael Steuert

Senior Vice President and Chief Financial Officer

Date: August 9, 2004

/s/ V. L. Prechtl

V. L. Prechtl

Vice President and Controller

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**FLUOR CORPORATION
CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Alan L. Boeckmann, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Fluor Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures at the end of the period covered by this report based on such evaluation; and
 - c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ Alan L. Boeckmann
Alan L. Boeckmann,
*Chairman of the Board and
Chief Executive Officer*

Date: August 9, 2004

**FLUOR CORPORATION
CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, D. Michael Steuert, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Fluor Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures at the end of the period covered by this report based on such evaluation; and
 - c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ D. Michael Steuert
D. Michael Steuert,
*Senior Vice President and
Chief Financial Officer*

Date: August 9, 2004

**CERTIFICATION PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Fluor Corporation (the "Company") on Form 10-Q for the period ended June 30, 2004, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Alan L. Boeckmann, Chairman and Chief Executive Officer of the Company, certify, for purposes of 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ Alan L. Boeckmann

Alan L. Boeckmann

Chairman and Chief Executive Officer

Date: August 9, 2004

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

**CERTIFICATION PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Fluor Corporation (the "Company") on Form 10-Q for the period ended June 30, 2004, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, D. Michael Steuert, Senior Vice President and Chief Financial Officer of the Company, certify, for purposes of 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ D. Michael Steuert
D. Michael Steuert
Senior Vice President and Chief Financial
Officer

Date: August 9, 2004

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

FLUOR CORPORATION
2003 ANNUAL REPORT

08



CAPITALIZING ON GLOBAL DIVERSIFICATION

FINANCIAL HIGHLIGHTS

Year Ended	December 31, 2003	December 31, 2002	Percent Change
(in thousands, except per share amounts)			
Revenues	\$ 8,805,703	\$ 9,958,956	(12)
Earnings from continuing operations	179,455	169,976	6
Loss from discontinued operations	(11,616)	(6,361)	(83)
Cumulative effect of change in accounting principle	(10,389)	–	NM
Net earnings	157,450	163,615	(4)
Diluted earnings (loss) per share			
Continuing operations	2.23	2.13	5
Discontinued operations	(0.15)	(0.08)	(88)
Cumulative effect of change in accounting principle	(0.13)	–	NM
Net earnings	1.95	2.05	(5)
Return on average shareholders' equity from continuing operations	18.5%	20.1%	–
Capital expenditures – continuing operations	\$ 79,183	\$ 63,014	26
New awards	9,976,000	8,596,800	16
Backlog	\$ 10,607,100	9,709,100	9
Cash dividends per common share	0.64	0.64	–
At Period End			
(in thousands, except per share amounts)			
Working capital	\$ 384,506	\$ 167,921	NM
Total assets	3,449,482	3,142,151	10
Capitalization			
Short-term debt*	221,469	–	NM
Long-term debt*	44,548	17,613	NM
Shareholders' equity	1,081,534	883,867	22
Total capitalization	\$ 1,347,551	\$ 901,480	49
Total debt as a percent of total capitalization	19.7%	2.0%	NM
Shareholders' equity per common share	\$ 13.17	\$ 11.02	20
Closing stock price	39.64	28.00	42
Salaried employees	17,564	19,259	(9)
Craft/hourly employees	11,447	25,550	(55)
Total employees	29,011	44,809	(35)

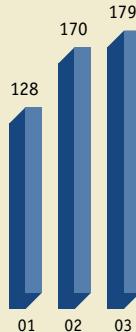
NM – Not meaningful

* December 31, 2003 includes \$127.0 million in debt (\$100.0 million in short-term and \$27.0 million in long-term) from the consolidation of variable interest entities as prescribed by FASB Interpretation No. 46.

REVENUES FROM
CONTINUING OPERATIONS
dollars in billions



EARNINGS FROM
CONTINUING OPERATIONS
dollars in millions



RETURN ON EQUITY FROM
CONTINUING OPERATIONS
percent



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DEAR SHAREHOLDER: Fluor® accomplished a great deal during the year, with many proud achievements. We delivered solid earnings growth in 2003, despite a business investment climate that remained challenging throughout most of the year. Importantly, we were able to more than offset an anticipated significant decline in earnings contribution from our power segment, as the strong investment cycle in power generation moved to completion.

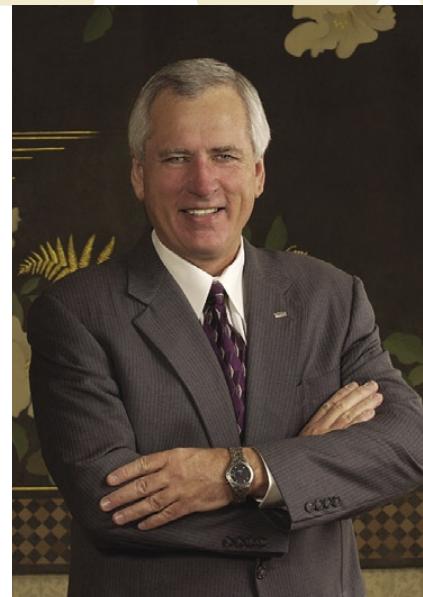
ALAN L. BOECKMANN Chairman and Chief Executive Officer

This year's growth in earnings from continuing operations was accomplished through our strategy of market diversification, combined with solid execution, and was within the upper end of our target range. Most importantly, we delivered excellent safety performance, 50 times better than the national industry average, demonstrating our steadfast commitment to this core value.

We have made significant strides in positioning for long-term growth. Over the past few years, we've outdistanced our competition in key markets, including clean fuels, life sciences, power and transportation. During 2003, we completed three acquisitions that support our goal to grow our Government and Operations & Maintenance (O&M) businesses. Our focus on expanding our participation in the federal services market showed substantial results in 2003, with Fluor's Government business posting record earnings on an increase of 62 percent.

While selectively pursuing near-term prospects, we also continued to position the company for longer-term growth opportunities, particularly in the transportation and global oil and gas markets. Our reputation and capabilities in the large transportation market continue to expand as we target key projects where we bring unique value that differentiates us from our competition.

In the oil and gas market, our geographic presence and experience in challenging international locations, such as the former Soviet Union, China and the Middle East, is providing a critical competitive advantage. For example, Fluor's ability to quickly put resources in place in Iraq, has led to a growing level of participation in the reconstruction effort. Several significant oil and gas awards were booked during the year, with ongoing development driving increasing levels of capital investment in these key geographic markets. Overall, we're very well positioned to assist our clients as they direct their capital spending in these expanding global markets.

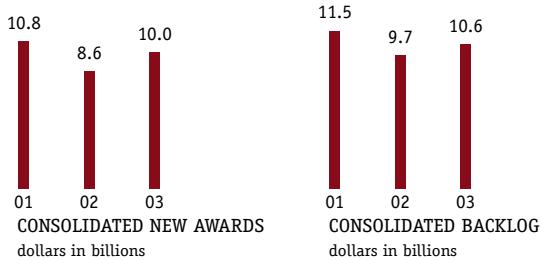


OPERATIONAL PERFORMANCE

In 2003, we achieved our fourth consecutive year of earnings growth, with earnings from continuing operations of \$179 million, or \$2.23 per share, an increase of 6 percent over last year. Consolidated operating profit was \$406 million, down 2 percent from a year ago. An improvement in the operating margin partially offset the impact of the decline in annual revenues, primarily related to the cycle of project completions in our power business and a shift to the early stages of a new cycle of projects in our oil and gas business.

We also posted encouraging growth in new awards and backlog, while remaining fully committed to selectivity and financial discipline that is fundamental to our business strategy. New awards increased 16 percent to \$10 billion, while consolidated backlog grew 9 percent to \$10.6 billion. In particular, Fluor's Government Group nearly doubled their new awards for the year, while O&M posted a 23 per-

cent increase in new business. In addition, we booked several major new oil and gas projects, increasing new awards by more than 80 percent, reflecting tangible evidence that the anticipated cycle of substantial capital investment in this global market has begun.



BUSINESS STRATEGY AND OUTLOOK

Fluor's market diversity has long been a key strength in reducing the impact of cyclicalities in individual markets and enhancing consistency in long-term performance. Our broad geographic scope and experience across the breadth of the markets that we serve, combined with our financial strength, provides a competitive advantage that is virtually unmatched within our industry.

Over the past few years, we have concentrated our attention on executing our diversification strategy to achieve more consistent growth, deliver solid returns on capital and enhance shareholder value. Our portfolio management approach allows us to quickly and efficiently move resources between markets to take advantage of cyclical upturns and reduce costs in the downturns. Combined with our actions to increase our most stable businesses in proportion to our overall business mix, we have achieved a good balance across our entire business portfolio and are extremely well positioned in each of our market areas.

We have continued our unrelenting focus on market selectivity, execution excellence, financial discipline, risk management and meeting our clients' needs. We remain absolutely committed to these principles and believe that they provide the strong foundation for our current and future success.

Looking ahead to 2004, we expect to build on the growth achieved in new awards and backlog during 2003, driven by anticipated increases in capital spending by a number of major clients. We remain convinced that the market for our services, particularly in the global oil and gas industry, is in the early stages of a long-term cycle of investment that will continue to unfold over the next three to five years. We are actively tracking a number of large, complex projects in geographically challenging locations,

which plays to Fluor's strengths, along with a growing list of more moderate-sized prospects. In addition, a continuation of the global economic recovery, which began to strengthen late in the year, should add further momentum to our positive outlook for new capital investment across a majority of our markets.

Complementing our pursuit of organic growth within each of our business segments, is our ongoing search for niche acquisitions to further penetrate and expand our share in targeted markets. During 2003, we completed three acquisitions, two focused on expanding our growth potential in the Government market, and another directed at enhancing our turnaround services offering in the O&M market.

In last year's report, I outlined our goal to increase the proportion of revenue and operating earnings from these two less cyclical markets to approximately 40 percent of Fluor's total business mix. Significant progress was made toward this objective in 2003, with the combined revenues of these businesses increasing to 32 percent from 19 percent a year ago, while operating earnings grew to 36 percent of the total from 30 percent last year.

Additionally, in February 2004, we completed a fourth acquisition, further strengthening our capabilities and presence in the Government market. Fluor's Del-JenSM unit acquired Trend Western Technical Corporation, which specializes in logistics services and base operations support. Trend Western has previously teamed with Del-Jen, and will be fully integrated into the company, enabling the combined entity to provide a full spectrum of support services to the Department of Defense at military installations worldwide. We intend to continue to pursue well-managed and accretive acquisition candidates that complement and enhance our long-term growth potential.

Overall, we believe significant progress was made during the year in executing our business strategy and we are cautiously optimistic about our prospects in the coming year. We expect that 2004 will be a year of transition, as we move from the completion of a cycle of power projects to a new cycle of oil and gas projects.

This shift from the conclusion of a cycle to the beginning of a new one has implications for the company's near-term earnings outlook. Because projects often take two to three years or longer to complete, revenues and earnings recognized in the early stages of project execution reflect the lower volume of work performed during engineering and project planning. As projects get closer to completion the volume of work performed is at a peak, resulting in higher revenue and profit recognition. This means that

there is a lag time between when projects are booked and when they begin to materially contribute to the bottom line. For this reason, an important leading indicator of future performance will be the trend in new awards and backlog, which we expect will be positive in 2004.

While the precise timing of major new awards, particularly in the oil and gas market, remains difficult to predict, continuing front-end activities, positive ongoing client discussions and improving global economic conditions all point toward major new investment. An additional factor that could influence earnings performance in 2004 is the extent of work Fluor performs in Iraq, given the fast-track nature of the reconstruction effort. Fluor is engaged in a variety of activities in Iraq, with continuing potential for expansion of existing task orders as well as further new opportunities that are being actively pursued.

Overall, we are optimistic about our business prospects in 2004 and beyond, and are confident that our strategy of market diversity will continue to allow us to deliver long-term earnings growth. However, given the timing issues and potential variables that could affect earnings in 2004, we have chosen to remain somewhat cautious in our earnings guidance at this early stage, until we gain greater visibility as the year progresses.

FINANCIAL CONDITION

Fluor's financial condition remains strong and will continue to be a high priority. Our "A" investment grade credit rating and strong balance sheet provides a distinctive competitive advantage, and ensures access to letters of credit and bonding capability, which is critical to executing our business. At the end of 2003, Fluor had cash and securities of \$497 million and a debt-to-total capital ratio of 20 percent. Our financial strength will continue to provide the financial capability to fund internal growth initiatives, strategic acquisitions and pay dividends.

DIRECTOR CHANGES

In October 2003, we were pleased to welcome Admiral Joseph Wilson Prueher to Fluor's board of directors. He brings an international, informed and seasoned set of perspectives, as well as valuable expertise on China and the federal government. Following 35 years of distinguished service in the U.S. Navy, Admiral Prueher served as ambassador to the People's Republic of China from 1999 to 2001. He currently is a consulting professor at Stanford University's Institute of International Studies and a senior advisor on The Preventive Defense Project.

Effective February 3, 2004, Fluor announced the election of Suzanne H. Woolsey to its board. Dr. Woolsey served as the chief operating officer and most recently, the chief communications officer, for the National Academies, the advisors to the nation on science, engineering and medicine. Her expertise in and passion for government policy, private industry and science will be important enhancement to our board.

At year-end, Admiral Bob Inman, a long-time member of Fluor's board, retired. During his tenure on the board, Bob's depth of political insight, awareness of global changes and understanding of technology provided invaluable leadership to Fluor. Bob has served with distinction on the board since 1985 and we thank him for his many contributions and long, dedicated service. We also saw the departure of Paul Anderson from our board, who resigned to become the chairman and chief executive officer of Duke Energy.

ACKNOWLEDGEMENTS

Iwould like to thank our board of directors and employees for their outstanding contributions during the year. With their hard work and dedication we made significant progress during the year on a number of our strategic objectives and delivered a strong return to shareholders. Their commitment to our guiding values of safety, integrity, teamwork and excellence in everything we do are key to achieving our vision to be the premier engineering and construction company in the world.

Finally, let me express my appreciation to our fellow shareholders for their support and confidence in Fluor and its future. We are confident in our global market diversification strategy and I believe that we have never been better positioned to deliver increasing shareholder value than we are today. Our financial strength, coupled with the quality of our services and people, and the reliability of our performance, are well aligned with our clients' needs. We continue to build the strong foundation for long-term growth and to make our goals for the future a reality. It is with tremendous pride that I serve this great company and look forward to the exciting future that lies ahead.

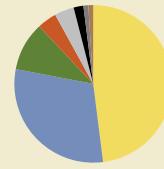


Alan L. Boeckmann
Chairman and Chief Executive Officer
March 3, 2004

In the tradition of history's master builders, we design, execute and maintain the infrastructures that support the progress and expansion of civilization.

Fluor Corporation is one of the world's largest, publicly owned engineering, procurement, construction and maintenance (EPCM) organizations.

CONSOLIDATED BACKLOG BY REGION



United States	48%
Europe	30%
Latin America	10%
Asia Pacific	4%
Middle East	4%
Africa	2%
Australia	1%
Canada	1%



FLUOR'S VISION IS TO BE THE PREEMINENT LEADER IN THE GLOBAL BUILDING AND SERVICES MARKETPLACE BY DELIVERING WORLD-CLASS SOLUTIONS.

FLUOR DELIVERS DEPENDABILITY, EXPERTISE AND SAFETY TO CUSTOMERS AROUND THE GLOBE.

For more than **100 years**, our customers have relied on our exceptional breadth and depth of expertise to add value to their projects, reduce cost and improve schedule.

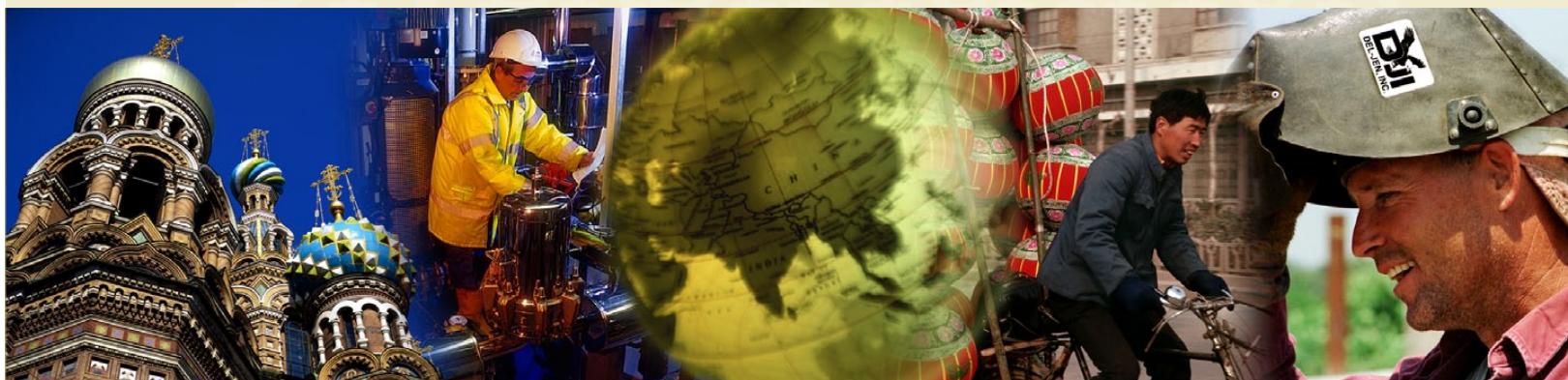
100 YEARS

For the past 15 years, Fluor has consistently ranked No. 1 or No. 2 on Engineering News-Record (ENR) magazine's annual list of "Top 400 Contractors."

FLUOR HAS AN INTERNATIONAL PRESENCE
WITH OPERATIONS AROUND THE WORLD

Argentina	The Netherlands
Australia	Peru
Azerbaijan	Philippines
Bahamas	Poland
Brazil	Portugal
Canada	Puerto Rico

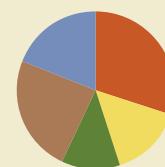
Nearly 30,000 employees worldwide, with a network of offices in 25 countries across six continents.



Cayman Islands	Qatar
Chile	Russia
China	Saudi Arabia
Czech Republic	Singapore
Denmark	South Africa
France	South Korea
India	Spain
Indonesia	United Arab Emirates
Iraq	United Kingdom
Ireland	United States of America
Jamaica	Venezuela
Japan	
Kazakhstan	
Kuwait	
Malaysia	
Mexico	

Our global construction safety record is 50 times better than the U.S. national average.

OPERATING PROFIT BY SEGMENT FROM CONTINUING OPERATIONS



- Oil & Gas 30%
- Industrial & Infrastructure 15%
- Government 12%
- Global Services 24%
- Power 19%

MARKETS SERVED

GAS PROCESSING

LIQUEFIED NATURAL GAS (LNG)

OFFSHORE SERVICES

OIL & GAS PRODUCTION

PETROLEUM REFINING

PIPELINES

SAMPLE CLIENTS

ABU DHABI GAS INDUSTRIES,
BASF, BP, CHEVRONTEXACO, CHINANATIONAL OFFSHORE OIL COMPANY
(CNOOC), CONOCOPHILLIPS, ENGEN,
EXXONMOBIL, AGIP KAZAKHSTANNORTH CASPIAN OPERATING
COMPANY (KCO), KUWAIT OILCOMPANY, LUKOIL, MARATHON
ASHLAND PETROLEUM, PEMEX

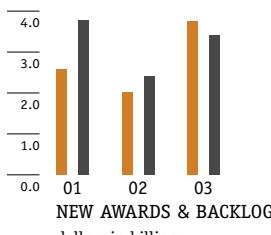
GAS, SASOL, SAUDI YANBU

PETROCHEMICALS, SHELL,
SUNCOR ENERGY, SYNCRAUDE,

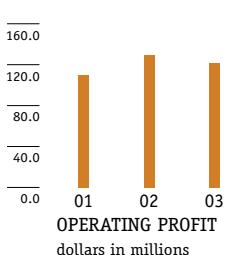
TENGIZCHEVROIL (TCO), WOODSIDE

Fluor continues to see strong indications that the global oil and gas industry is in the early stages of a major capital investment cycle.

OIL & GAS



FLUOR'S OIL & GAS BUSINESS SEGMENT HAS A long legacy of serving the worldwide oil and gas production and processing industries, providing a full scope of engineering, procurement, construction and program management services. Markets served range the full spectrum from upstream oil and gas production and pipelines to downstream refining and integrated petrochemicals.



Operating profit for the Oil & Gas segment was \$121 million, down from \$129 million a year ago. The decline reflects a transition in business mix as a cycle of gasoline clean fuels projects were completed, and large-scale upstream oil and gas programs began to be added to backlog. During 2003, new awards for Oil & Gas nearly doubled to \$3.7 billion, driving a 46 percent increase in backlog compared with year-end 2002.

Based on economic, political and strategic factors, as well as what our clients are telling us, Fluor continues to see strong indications that the global oil and gas industry is in

PERCENT OF TOTAL
OPERATING PROFIT

Oil & Gas
30%



OIL & GAS

the early stages of a major capital investment cycle. Fluor has performed front-end engineering on a number of major oil and gas projects, which tend to be very large, complex multi-year programs in challenging geographic locations. Because of the significant scope and complexity of these projects, particularly development of new oil and gas resources, Fluor is exceptionally well positioned to capitalize on this major cycle of investment.

While Fluor performs projects of all sizes, it is one of the few companies with megaproject experience and execution capability. Our global scope, experience and critical program management skills provide the capabilities and resources to handle large, multi-faceted programs. While it is difficult to predict the precise timing of these projects, the company's confidence that they will move forward was reinforced during 2003 with the award of the first two expected major upstream programs.

The first of these significant awards was the \$1.3 billion Tengizchevroil project, a major oil and gas development program, in Kazakhstan. The second award was for oil-processing and gas re-injection facilities in Eastern Russia, part of the Sakhalin I program. The key drivers for these and a number of anticipated future projects are diminishing global supply and increasing demand for new production capacity. Global demand for oil and gas continues to grow, while current reserves are being depleted. It has been estimated by industry sources that 60 to 80 million barrels per day of new capacity will be required over the next decade, translating to new investment of \$1 trillion, to fund the required growth in production.

Fluor is tracking a significant number of major oil and gas programs in widely diverse geographic locations, including the Caspian Sea region, the former Soviet Union, the Middle East, China, offshore West Africa and Canada. The projects range from upstream development of new oil and gas fields, to extensive production increases from Canadian oil sands, to major new petrochemical facilities. While Fluor has a long resumé of experience in the Middle East, the company has continued to build its market position in China and has established a strong presence over the past several years in the developing markets in the Caspian Sea region and the former Soviet

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As consortium leader, Fluor is managing the development of the Hamaca Heavy Crude Upgrader Project for Petrolera Ameriven. Located in the hydrocarbon-rich Orinoco Belt of Venezuela, the largest known hydrocarbon deposit in the world, the Hamaca project area is estimated to contain more than 30 billion barrels of extra-heavy oil. The upgrader is a grassroots facility that will upgrade heavy crude oil to commercial grade by removing heavy carbon as coke and removing sulfur and nitrogen contaminants. (bottom)



OIL & GAS

PAGE 8

From conceptual design to engineering, procurement and construction support, Fluor worked with Tesoro on their clean fuels project to increase Golden Eagle refinery's production of CARB3 gasoline by 20,000 barrels per day. "This project was extremely important to Golden Eagle and to California's gasoline supply," said Bill Haywood,

President, California and Southwest Region for Tesoro Refining and Marketing Company. "As always, Fluor delivered a successful project." Located in Northern California, the \$120 million CARB3 RFG Project was completed in 2003.



Union. Fluor's capabilities and experience in these challenging international locations are providing an important competitive advantage.

A significant increase in the demand for natural gas, particularly in the United States, is driving the development of a number of new programs. While plentiful gas resources exist globally, the reserves are located at distances too far from the source of demand to be transported by pipelines. As a result, alternatives such as liquefied natural gas (LNG) and gas-to-liquids (GTL) projects, which create a product that can be transported by tankers, are being developed. Fluor is involved in front-end activity for proposed receiving terminals and LNG regasification projects in the Gulf of Mexico and Baja, California, as well as for a GTL project in the Middle East. Additionally, through a consortium, Fluor is building the first Mexican LNG regasification terminal, which will be located in the port of Altamira on Mexico's Gulf Coast.

During the year, Fluor was also successful in winning a number of smaller, strategic awards that position the company well for future opportunities with key clients. These include the long-term consulting services agreement with the Kuwait Oil Company for their capital spending program. Another key award was Fluor's selection by Lukoil, one of Russia's largest oil companies, to build a crude oil and petroleum products export terminal near St. Petersburg. This sole-source award resulted from Fluor's early involvement with Lukoil in the development stage of the project where we were their exclusive financial consultant, helping structure and arrange long-term financing.

Another important continuing market for Fluor's oil and gas business is in downstream refining projects to produce clean fuels. These project opportunities are primarily in North America and Europe, driven by new environmental regulations to reduce the sulfur content in gasoline and in diesel. Fluor has largely completed a cycle of projects to meet the new gasoline requirements, but is just starting to see front-end investment for the next phase related to diesel fuels.

MARKETS SERVED

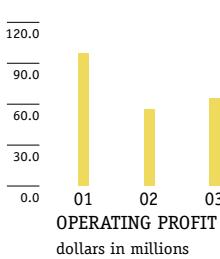
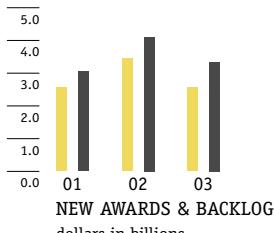
- ALTERNATIVE POWER
- BIOTECHNOLOGY
- CHEMICALS
- COMMERCIAL & INSTITUTIONAL
- CONSUMER PRODUCTS
- LIFE SCIENCES
- MANUFACTURING
- MICROELECTRONICS
- MINING
- PETROCHEMICALS
- PHARMACEUTICALS
- TELECOMMUNICATIONS
- TRANSPORTATION
- WATER

Growing evidence of sustained economic recovery in the U.S. and abroad is beginning to stimulate development of projects in a number of economically sensitive markets served by Fluor.

SAMPLE CLIENTS

- AMGEN, ASTRA ZENECA, BASF, BAYER, BHP BILLITON, BIOGEN, BRISTOL MYERS SQUIBB, DOW, DUPONT, EASTMAN KODAK, ELI LILLY, FOUR SEASONS, FRITO-LAY, HUNTSMAN, IBM, LEVEL 3 COMMUNICATIONS, LONDON UNDERGROUND, MERCK, MINERA ESCONDIDA, NEWMONT MINING, NOVA CHEMICALS, PFIZER, PROCTOR & GAMBLE, RIO TINTO PLC, RITZ-CARLTON, SINOPEC, STATE DEPTS OF TRANSPORTATION, WYETH

INDUSTRIAL & INFRASTRUCTURE



PERCENT OF TOTAL
OPERATING PROFIT

Industrial &
Infrastructure
15%

FLUOR'S INDUSTRIAL & INFRASTRUCTURE BUSINESS SEGMENT serves a diverse range of markets including life sciences, general manufacturing, microelectronics, commercial & institutional, mining, chemicals, telecommunications and transportation. Operating profit for 2003 was \$63 million, compared with \$55 million a year ago.

Results for 2003 included a provision of \$7.4 million for impairment of an equity investment, while results for 2002 included dispute resolution provisions of \$26 million on legacy projects which had been completed in prior years. Overall earnings performance in 2003 reflected continuing strength in life sciences and strong growth in Fluor's transportation business, which partially offset continuing weakness in certain economically sensitive markets that are now showing indicators of increased activity.

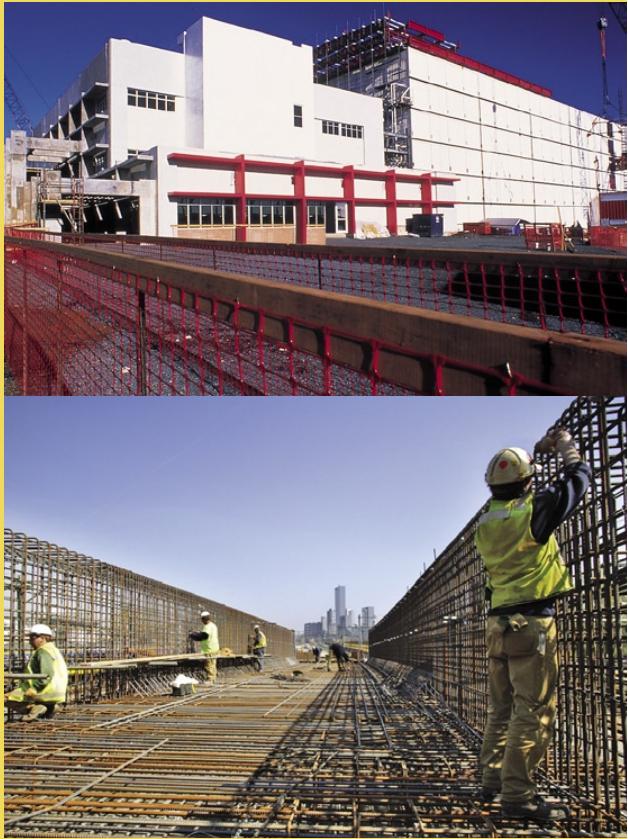
New awards were \$2.6 billion, down from last year's robust \$3.5 billion. Backlog at year-end was \$3.3 billion, down from \$4.2 billion a year ago largely due to decisions during the year to not proceed with three projects that, as a result, were removed from the

INDUSTRIAL & INFRASTRUCTURE

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Fluor is executing an integrated engineering, procurement, construction management, and validation (EPCMV) project for Eli Lilly's large-scale biotech manufacturing facility in Carolina, Puerto Rico. The major process buildings are of modular design and construction, utilizing over 600 modules, and demonstrate

Fluor's biotech expertise and strong Puerto Rico execution platform. The new facility is slated to become fully operational in late 2004.



Fluor is program manager for the design, build, finance and maintenance operations of the superstructure portion of HSL-Zuid PPP high-speed rail route in The Netherlands, a 25-year concession with the Dutch State. Pictured above, craftsmen work on

the sub-structure connection to the existing track at Rotterdam Central Station, ultimately connecting Amsterdam to the Dutch/Belgium border. *(Photo courtesy of Project Organisation HSL-Zuid/Ton Poortvliet.)*

Industrial & Infrastructure backlog. Two of these were commercial projects in very early stages, which the company decided not to execute due to significant changes in the insurance and financial profiles of these projects. The third was a mining project that had been put on hold due to unanticipated financing challenges.

Continued strength is anticipated in the life sciences market, where Fluor has a dominant market position and has established strong client relationships with major pharmaceutical and biotechnology clients. Expiration of a sizeable number of patents over the next several years is stimulating significant new product development activity with critical time-to-market demands where Fluor's project management skills provide a strong competitive advantage.

Fluor is continuing to selectively pursue opportunities within the commercial & institutional market that target relatively larger projects with accompanying logistical and technical challenges, which leverage the company's program and construction management capabilities. These include convention centers and performing arts complexes, along with high-end destination resorts outside the U.S., particularly in the Caribbean and Mexico. Another targeted niche within the commercial & institutional market is research laboratories, where Fluor's technical skills bring specialized value, particularly in the life sciences area where the company has numerous strong client relationships.

In transportation, Fluor continues to build on its growing track record of success with its business model that focuses primarily on large, complex design/build and public/private partnership opportunities. Budget constraints are driving increased use of privatization as a solution to state and federal transportation infrastructure needs. During 2003, Fluor was awarded several first-of-kind road projects. The SR 125 toll road in California is the first project to combine private debt and equity financing with Federal TIFIA financing; the ROC 52 highway in Minnesota is the first best-value and the largest design/build contract ever awarded by the Minnesota Department

INDUSTRIAL & INFRASTRUCTURE

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U.S. Transportation Secretary Norman Mineta delivered the keynote address during the groundbreaking celebration, praising California's SR 125 expansion as a model for future privately financed transportation projects. The 12.5-mile highway is located southeast of San Diego, California and is being built by Otay River Constructors, a 50:50 joint venture between Fluor and Washington Group. (*Photo courtesy of California Transportation Ventures, Inc. Used with permission.*)

of Transportation; and the A59 project is the first highway public/private partnership in The Netherlands.

In addition, Fluor selectively pursues rail opportunities and recorded project scope increases during the year on existing projects for the London Underground and a high-speed rail project in The Netherlands. Also during the year, Fluor-led teams were appointed to preferred bidder status for a high-speed rail project in Florida and a highway expansion project in Virginia that takes advantage of the innovative "Hot Lanes" concept. Fluor was also part of a joint venture that was awarded the exclusive rights to develop a large-scale offshore wind farm in the United Kingdom. While these projects still have significant development issues that must be addressed before becoming viable projects for Fluor, we are pleased with the potential that they represent.

Growing evidence of sustained economic recovery in the U.S. and abroad is also beginning to stimulate development of projects in a number of economically sensitive markets served by Fluor, including chemicals, general manufacturing, microelectronics and mining.

At the beginning of the year, Fluor took steps to increase its focus on anticipated opportunities for chemical and petrochemical projects, as early indicators of a market recovery began to emerge. Although a cycle of new capital

investment in chemicals is still in the early stages, the market outlook continues to strengthen with several major programs in the planning stages. The vast majority of developing projects are in the Middle East, close to abundant, inexpensive gas feedstock, or in China where the demand for chemicals is strong and growing. Fluor's geographic reach and experience in these markets position the company well to capture a significant share of work as these projects move forward. In November 2003, Fluor was awarded a contract to serve as the managing partner of the project-execution consortium for a \$700 million chemicals complex to be located in Shanghai, China. Fluor's share of the contract award is 50 percent, or \$350 million.

Early signs of renewed investment in general manufacturing was also evident during the year, with awards for consumer products and foods projects. The market for microelectronics facilities, which has been dormant for the past three years, showed signs of renewed activity as well. Continuing economic recovery is starting to strengthen demand for microelectronic products. The outlook for improving demand, combined with advances in technology, is showing up in plans for new fabrication facilities primarily in the Far East where Fluor's capabilities and experience are a competitive advantage.

INDUSTRIAL & INFRASTRUCTURE

PAGE 12

Completed in 2003, Fluor managed construction services for the Four Seasons Resort Great Exuma at Emerald Bay in the Bahamas. Fluor's quality control program was essential to achieve the five-star status for this

luxury resort featuring 217 guest rooms and suites and a Greg Norman-designed golf course.



A pharmaceutical development facility at Pfizer's European R&D headquarters at Sandwich, Kent is in the final stages of completion. Fluor's UK Life Sciences division is responsible for construction and commissioning for the facility

and has achieved 1.7 million safe manhours on the project. The five-storied facility will include 35,500 square meters of office space, laboratories and ancillary facilities.



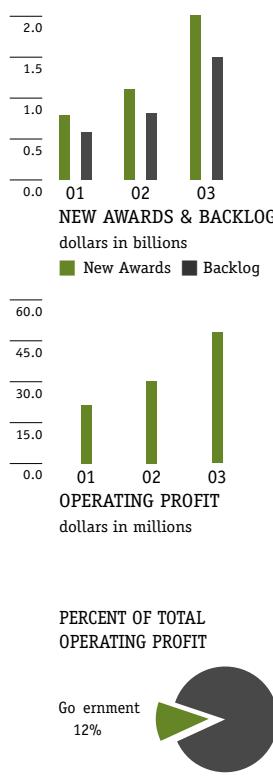
Although strengthening commodity prices have yet to translate into a broad market recovery in the mining industry, a limited number of projects are developing for which Fluor is well positioned and is selectively pursuing. Fluor began work on a number of feasibility studies that were initiated during the year, which support an expanding list of project prospects that are expected to move ahead in 2004. Global economic growth and increasing consumption by China in particular, is driving increased demand for copper and iron ore. Fluor has a strong market position in South America, where projects to expand production of copper are being planned. Similarly, anticipated investment in new iron ore production is primarily concentrated in Australia, where Fluor has a long-established presence.

Opportunities in telecommunications remain modest, primarily focused on emergency response networks or for secure communications systems to address heightened security concerns. Fluor was awarded work in each of these areas during 2003, including design of a new Emergency Operations Center for the City of Los Angeles.

MARKETS SERVED
 DISASTER RELIEF
 ENERGY
 GOVERNMENT SERVICES
 HOMELAND SECURITY
 MILITARY & DEFENSE
 SAMPLE CLIENTS
 FEMA, U.S. DEPT. OF DEFENSE,
 U.S. ARMY, U.S. AIR FORCE,
 U.S. NAVY, U.S. NAVAL ACADEMY,
 U.S. DEPT. OF ENERGY, U.S. DEPT.
 OF LABOR, U.S. DEPT. OF STATE

As the single largest purchaser of outsourced services in the world, the U.S. federal government represents one of Fluor's most attractive growth opportunities today.

GOT
GOVERNMENT



OVER THE PAST TWO YEARS, FLUOR'S GOVERNMENT BUSINESS SEGMENT HAS HAD A strategic focus to expand and diversify its participation in the large U.S. federal services market place. As the single largest purchaser of outsourced services in the world, the U.S. federal government has a relatively stable annual budget of approximately \$200 billion, and represents one of Fluor's most attractive growth opportunities today.

Fluor's Government business segment achieved strong performance during 2003, providing significant progress towards its goal to expand within this large segment offering non-cyclical, sustainable growth. Operating profit for the year was \$48 million, an increase of 62 percent compared with \$30 million last year. New awards increased 84 percent to \$2 billion. Backlog was up 87 percent to \$1.5 billion.

Increased security-related issues and additional long-term outsourcing opportunities are driving higher spending levels across a variety of federal programs. These new areas allow Fluor to leverage its commercial best practices and its wide range of skills to serve the U.S. government. Supporting its strategic objective to broaden its penetration across the



As part of the Restore Iraqi Electricity program for the U.S. Army Corps of Engineers, Fluor provides program management, procurement, logistics and construction management services. As of February 2003, this effort has exceeded 2,000 tons of ocean freight and 150 tons of air freight valued at more than \$100 million, all delivered in less than three months. This coordinated effort involves many methods of transportation, including the charter of Antonov Russian International Cargo Transporters, delivering generators (pictured) and other equipment to support new electricity in Iraq.

federal services market, Fluor completed two niche acquisitions in the Government segment during the year, adding strength to our service offering to both the Department of Defense and the Department of State. In February 2004, an additional acquisition further complementing Fluor's expanding Government business was announced.

Fluor's Government segment is aligned to optimize market opportunities and is a service provider to the U.S. Department of Energy, Department of Labor, Department of Defense, Department of State and Department of Homeland Security.

Fluor is continuing to build on its highly successful record of accomplishment with the Department of Energy (DOE) on its two principal contracts providing environmental remediation at former nuclear weapons complex sites at Hanford, Washington and Fernald, Ohio. Leveraging its nuclear facility experience and accelerated cleanup at these sites, Fluor is seeking to expand its scope within

the DOE's Environmental Management and National Nuclear Security Administration programs.

Fluor's focus on the defense market will build on its achievements with the Army Corps of Engineers and in the areas of immediate military support and contingency operations for the Army and Air Force. During the year, Fluor was awarded expanded scope for the U.S. Ground-Based Midcourse Missile Defense facilities in Alaska. In addition, activity continues to grow under various technical and logistical support programs for the U.S. military worldwide including the Air Force (AFCAP), the Army (LOGCAP) and Central Command (CETAC).

Fluor is participating in the reconstruction of Iraq, and is providing technical expertise and support services to the U.S. military. The most significant to date includes task orders related to the repair of Iraq's electrical infrastructure, with other significant opportunities still pending.

GOVERNMENT

PAGE 15

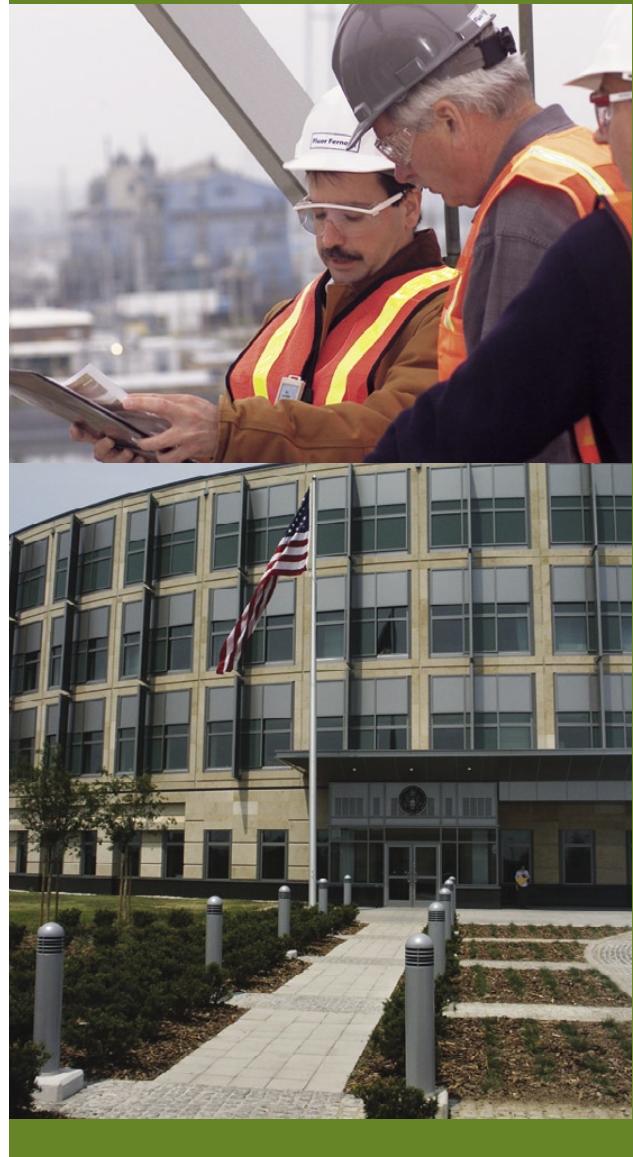
Early in the year, Fluor acquired Del-Jen, a leading provider of outsourced services to the U.S. Government, particularly in the areas of military base operations and maintenance services, as well as training and education services to thousands of disadvantaged youth through the Department of Labor's Job Corps Program. Del-Jen brings an impressive record of performance and expands Fluor's capabilities and resumé of experience in this sizeable market. Early in 2004, Del-Jen acquired Trend Western Technical Corporation, which specializes in logistics services and base operations support, further expanding the company's government contracting capabilities. Trend Western has previously teamed with Del-Jen, and will be fully integrated into the company, enabling the combined entity to provide a full spectrum of support services to the Department of Defense at military installations worldwide.

A third market focus for Fluor's Government business is on federal facilities and homeland security. Fluor is expanding its portfolio of work with agencies, such as the Department of State and the Department of Homeland Security, where the company is leveraging its expertise in overseas construction, telecommunications, transportation systems and security infrastructure on projects that protect national security interests.

Strengthening Fluor's capabilities in this market was the acquisition in November of the International Division of J.A. JonesSM Construction Company (JAJI), which provides design-build and construction services to the U.S. Government. JAJI brings significant experience with the Department of State, which is planning new embassies and consulates that are larger and more complex than ever before, with specific focus on increased security. At the time of the acquisition, JAJI was executing seven international projects for the Department of State. Also during 2003, Fluor successfully completed a U.S. Consulate project in Sao Paulo, Brazil, and won two awards for new embassy projects in Kazakhstan and Jamaica. With its strong resumé of experience, the JAJI acquisition provides a solid platform to expand Fluor's portfolio of government business, adding essential execution resources with the necessary security clearances.

Fluor continues on track to complete cleanup and restoration of DOE's Fernald site in 2006. Alan Boeckmann, Fluor Chairman and CEO, and Mark Cherry, Waste Pits Project Manager, review the progress of the one-million ton radioactive waste excavation, drying and shipment program slated for completion in 2004. (below)

J.A. Jones International, recently acquired by Fluor, provided turnkey design-build services to the U.S. Department of State Overseas Buildings Operations for an embassy in Croatia. Located on about four acres in Zagreb, the project included the design and construction of seven buildings consisting of the main chancery and the attendant site facilities that include perimeter security, vehicular and pedestrian access control facilities, parking and other site amenities. (bottom)



MARKETS SERVED

CHEMICALS

LIFE SCIENCES

MANUFACTURING

METALS & MINING

OIL & GAS

POWER

SAMPLE CLIENTS

AK STEEL, ALCOA, BP, BLUESCOPE

STEEL, CHEVRONTEXACO, CLARIANT

CORPORATION, CONOCOPHILLIPS,

DUPONT, EASTMAN CHEMICAL

COMPANY, ENTERGY, EXELON, IBM,

INTERNATIONAL POWER HAZELWOOD,

JAMAICA PUBLIC SERVICE COMPANY,

KENNECOTT UTAH COPPER, MINERA

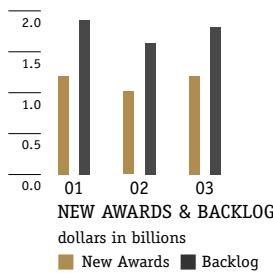
ESCONDIDA, PROGRESS ENERGY,

SHELL PHILIPPINES EXPLORATION

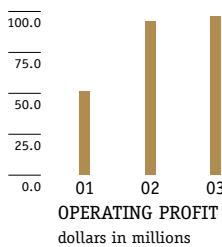
B.V., TXU

Improving economic activity and an expected increase in the company's EPCM business should translate to increased activity for Global Services.

GLOBAL SERVICES



FLUOR'S GLOBAL SERVICES SEGMENT PROVIDES A broad range of integrated solutions, which leverage Fluor's core competencies and complement the company's EPCM business focus. Services include operations and maintenance (O&M), project site services and industrial fleet outsourcing, plant performance services, temporary staffing, construction services and global procurement.



Operating profit for Global Services in 2003 was \$97 million, up 4 percent from \$93 million last year. Financial performance for the year reflects continued competitive pressures on margins in the company's O&M business and lower levels of construction services. New awards for the year increased 23 percent to \$1.3 billion, while backlog increased 17 percent to \$1.8 billion. Improving economic activity and an expected increase in the company's EPCM business should translate to increased activity for Global Services.

Fluor's O&M business is a leading provider of maintenance and operation services including industrial maintenance, facility management, outage and shutdown work, and

PERCENT OF TOTAL
OPERATING PROFITGlobal Services
24%

GLOBAL SERVICES

asset management that help customers reduce costs and improve their competitive position. Fluor's O&M services target industries and geographic regions, which leverage the company's market presence and client relationships. Focused on higher productivity and throughput, increased uptime, and improved quality and safety, Fluor O&M provides innovative performance enhancement and cost-cutting solutions to clients worldwide.

Fluor's AMECO® unit, a global full-service construction and industrial equipment business, is a leading provider of Site ServicesSM and Fleet OutsourcingSM. With Site Services, AMECO provides total equipment, tool and service solutions to support construction projects with Fluor and other global contractors. In Fleet Outsourcing, AMECO provides turnkey outsourcing programs for a wide range of industrial companies in the energy, mining, telecommunications and manufacturing industries. During the year, AMECO continued to optimize its asset base to improve return on capital, while expanding its global operations and maintaining world-class safety performance. The company was awarded the National Safety Council's 2003 Industry Leader Award for achieving the best safety performance in its industry.

TRS[®] Staffing Solutions, Fluor's temporary staffing business, is focused on supporting Fluor's EPCM market activity, while continuing to expand its services to third-party contractors. With anticipated EPCM activity increases due to continued global economic recovery and a new cycle of investment in the oil and gas industry, this growth should be reflected in TRS business activity as well.

Fluor's Construction organization is responsible for both driving the company's construction strategy and providing global resource capabilities, including manpower, processes and technology, in support of the company's overall EPCM business.

Fluor's Global Sourcing and Supply organization is a leader in the procurement of goods and services in support of Fluor projects worldwide. Utilizing strategic supplier relationships, global market knowledge and leveraging the company's purchasing volume, Fluor obtains the best pricing, quality and service available for its clients.

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Acquired by Fluor in 2003, Plant Performance ServicesSM (P2S) is a leading provider of specialty operations and maintenance services to domestic industrial facilities. Utilizing its patented semi-robotic hydro-blasting Fast Clean[®] technology, P2S ServTechSM is able to deliver the safest and most cost-effective means of performing specialty exchanger services, turnaround management and execution. (below)

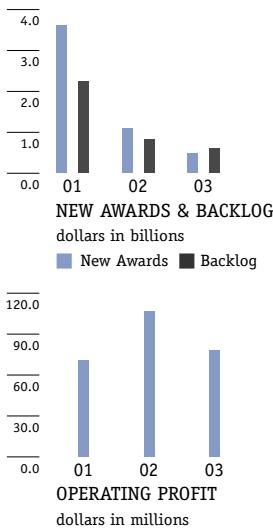
Fluor's Operations & Maintenance (O&M) group manages maintenance services at one of the largest oil refining and petrochemical complexes in the U.S. BP and Fluor's joint success at BP's Texas City Refinery Complex and five other BP sites has led to additional O&M work for Fluor in Europe. (bottom)



MARKETS SERVED
COGENERATION
FOSSIL FUELS
SAMPLE CLIENTS
BRAZOS ELECTRIC, DAYTON POWER &
LIGHT, DUKE ENERGY, FPL ENERGY,
LG&E, PANDA ENERGY, PSEG,
RELIANT ENERGY, SCE&G, SEMPRA

Over the course of the investment cycle, Fluor captured significant market share, winning roughly one third of all new power projects awarded in the U.S.

POWER



FLUOR'S POWER BUSINESS SEGMENT IS AN industry leader in providing state-of-the-art power generation facilities for industrial and commercial customers in the U.S. and abroad. Deregulation in the U.S. electric power industry, combined with strong growth in demand, drove a major cycle of capital investment in recent years. Over the course of the investment cycle that ended in early 2002, Fluor captured significant market share, winning roughly one third of all new power projects awarded in the U.S.

While awards for new projects were extremely modest in 2003, Fluor focused on executing its strong backlog of power work, successfully completing six projects during the year and generating \$77 million in operating profit. Backlog for Power at the end of the year was \$605 million.



POWER

Anticipating the downturn in new power projects, Fluor has been shifting its resources as projects are completed to other industry opportunities across the diverse markets that it serves. Following this dramatic decline in demand for new power projects, the company and its partner, Duke Energy, announced its decision in July to dissolve its Duke/Fluor Daniel joint venture in the power market. The Duke/Fluor Daniel partnership has been extremely successful and more than accomplished Fluor's strategic objective to become a dominant contractor in the power generation market. The two companies are working to execute the remaining projects in backlog and implement an orderly wind down of the joint venture.

While near-term power opportunities are limited, Fluor will continue to be a leader in this market and is pursuing selected power projects that meet its selectivity and risk profile criteria. Capitalizing on the strong market reputation established during this past cycle of investment in power, Fluor was successful in winning the award for a 620-megawatt, gas-fired plant in Texas – one of the few projects awarded during 2003.

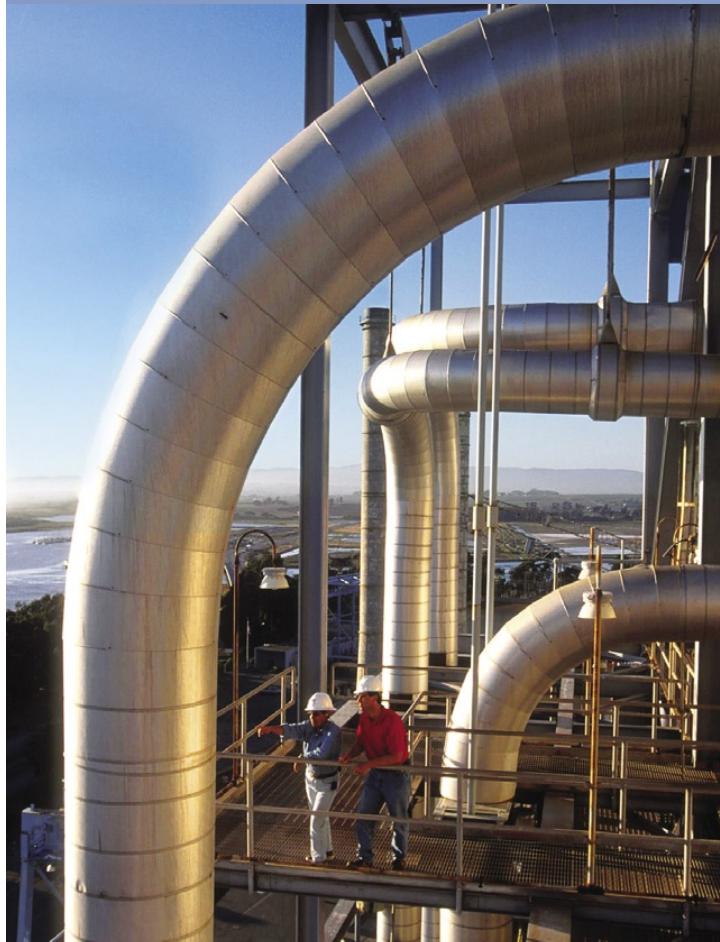
FLUOR CONSTRUCTORS INTERNATIONAL

Fluor Constructors International, Inc.SM (FCII) is the union craft arm of Fluor Corporation, providing construction management and direct-hire construction expertise in support of Fluor's operating businesses in North America. Additionally, FCII supports the staffing of international construction projects and has employees working around the world.

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

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During the modernization and expansion of DENA's Moss Landing Power Project, Duke/Fluor Daniel built one of the cleanest and most efficient power plants in the nation. At 2,570 megawatts, Moss Landing is now the largest power plant in California generating enough electricity to serve approximately 2.5 million homes.



NEW AWARDS AND BACKLOG DATA

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NEW AWARDS BY SEGMENT		2003		2002		2001	
Year ended December 31		Dollars	Percent	Dollars	Percent	Dollars	Percent
(in millions)							
Oil & Gas*		\$ 3,686	37%	\$ 1,947	23%	\$ 2,249	21%
Industrial & Infrastructure*		2,558	26%	3,461	40%	2,908	27%
Government		1,995	20%	1,087	12%	806	8%
Global Services		1,252	12%	1,014	12%	1,222	11%
Power		485	5%	1,088	13%	3,582	33%
Total new awards		\$ 9,976	100%	\$ 8,597	100%	\$ 10,767	100%
New awards gross margin		\$ 657	6.6%	\$ 602	7.0%	\$ 754	7.0%

NEW AWARDS BY REGION		2003		2002		2001	
Year ended December 31		Dollars	Percent	Dollars	Percent	Dollars	Percent
(in millions)							
United States		\$ 4,818	48%	\$ 5,558	65%	\$ 8,248	77%
Americas		1,004	10%	1,295	15%	1,311	12%
Europe, Africa, and Middle East		3,682	37%	990	11%	1,026	9%
Asia Pacific (includes Australia)		472	5%	754	9%	182	2%
Total new awards		\$ 9,976	100%	\$ 8,597	100%	\$ 10,767	100%

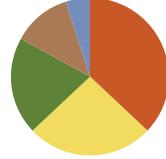
BACKLOG BY SEGMENT		2003		2002		2001	
At December 31		Dollars	Percent	Dollars	Percent	Dollars	Percent
(in millions)							
Oil & Gas*		\$ 3,420	32%	\$ 2,336	24%	\$ 3,655	32%
Industrial & Infrastructure*		3,273	31%	4,182	43%	3,127	27%
Government		1,488	14%	795	8%	608	5%
Global Services		1,821	17%	1,555	16%	1,860	16%
Power		605	6%	841	9%	2,256	20%
Total backlog		\$ 10,607	100%	\$ 9,709	100%	\$ 11,506	100%
Backlog gross margin		\$ 649	6.1%	\$ 583	6.0%	\$ 764	6.6%

BACKLOG BY REGION		2003		2002		2001	
At December 31		Dollars	Percent	Dollars	Percent	Dollars	Percent
(in millions)							
United States		\$ 5,041	48%	\$ 5,608	58%	\$ 7,515	65%
Americas		1,190	11%	1,819	19%	2,147	19%
Europe, Africa, and Middle East		3,871	36%	1,570	16%	1,625	14%
Asia Pacific (includes Australia)		505	5%	712	7%	219	2%
Total backlog		\$ 10,607	100%	\$ 9,709	100%	\$ 11,506	100%

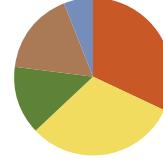
* During the first quarter of 2003, the company realigned certain operations to increase focus on the downstream bulk and specialty chemicals markets. Projects in these markets were formerly in the Energy & Chemicals segment and are now executed and reported in the Industrial & Infrastructure segment. The Energy & Chemicals segment was renamed Oil & Gas and all prior periods have been restated to reflect this change.

2003 CONSOLIDATED
NEW AWARDS

- Oil & Gas 37%
- Industrial & Infrastructure 26%
- Government 20%
- Global Services 12%
- Power 5%

2003 CONSOLIDATED
BACKLOG

- Oil & Gas 32%
- Industrial & Infrastructure 31%
- Government 14%
- Global Services 17%
- Power 6%



SELECTED FINANCIAL DATA

PAGE 21

CONSOLIDATED OPERATING RESULTS	Year Ended December 31,				
	2003	2002	2001	2000	1999
(in millions, except per share amounts)					
Revenues	\$ 8,805.7	\$ 9,959.0	\$ 8,972.2	\$ 9,422.9	\$ 10,752.3
Earnings from continuing operations before taxes	268.0	260.5	185.3	164.3	88.7
Earnings from continuing operations	179.5	170.0	127.8	116.3	38.2
Earnings (loss) from discontinued operations	(11.6)	(6.4)	(108.4)	7.7	66.0
Cumulative effect of change in accounting principle	(10.4)	—	—	—	—
Net earnings	157.5	163.6	19.4	124.0	104.2
Basic earnings (loss) per share					
Continuing operations	2.25	2.14	1.64	1.55	0.51
Discontinued operations	(0.15)	(0.08)	(1.39)	0.10	0.87
Cumulative effect of change in accounting principle	(0.13)	—	—	—	—
Net earnings	1.97	2.06	0.25	1.65	1.38
Diluted earnings (loss) per share					
Continuing operations	2.23	2.13	1.61	1.52	0.50
Discontinued operations	(0.15)	(0.08)	(1.36)	0.10	0.87
Cumulative effect of change in accounting principle	(0.13)	—	—	—	—
Net earnings	1.95	2.05	0.25	1.62	1.37
Return on average shareholders' equity	16.2%	19.4%	2.6%	7.7%	6.8%
Cash dividends per common share	0.64	0.64	0.64	1.00	0.80

CONSOLIDATED FINANCIAL POSITION

Current assets	\$ 2,213.6	\$ 1,924.1	\$ 1,851.3	\$ 1,318.3	\$ 1,391.1
Current liabilities	1,829.1	1,756.2	1,862.7	1,570.3	1,834.2
Working capital	384.5	167.9	(11.4)	(252.0)	(443.1)
Property, plant and equipment, net	569.5	467.0	508.1	570.8	514.7
Total assets	3,449.5	3,142.2	3,142.5	4,958.4	4,886.1
Capitalization					
Short-term debt*/**	221.5	—	38.4	88.7	20.7
Long-term debt**	44.6	17.6	17.6	17.6	17.5
Shareholders' equity	1,081.5	883.9	789.3	1,609.2	1,581.4
Total capitalization	1,347.6	901.5	845.3	1,715.5	1,619.7
Total debt as a percent of total capitalization	19.7%	2.0%	6.6%	6.2%	2.4%
Shareholders' equity per common share	13.17	11.02	9.85	21.25	20.80
Common shares outstanding at period end	82.1	80.2	80.1	75.7	76.0

OTHER DATA

New awards	\$ 9,976.0	\$ 8,596.8	\$ 10,766.6	\$ 9,644.2	\$ 6,789.4
Backlog at year end	10,607.1	9,709.1	11,505.5	10,012.2	9,142.0
Capital expenditures – continuing operations	79.2	63.0	148.4	156.2	140.6
Cash provided by (used in) operating activities	(300.5)	195.7	621.8	186.1	572.6

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

**December 31, 2003 includes \$127.0 million in debt (\$100.0 million in short-term and \$27.0 million in long-term) from the consolidation of variable interest entities as prescribed by FASB Interpretation No. 46.

In November 2000, a spin-off distribution to shareholders was effected which separated then existing Fluor Corporation into two publicly traded companies – new Fluor ("Fluor" or the "company") and Massey Energy Company ("Massey"). Massey's results of operations for all periods prior to the spin-off are presented as discontinued operations.

In September 2001, the company adopted a plan to dispose of certain non-core construction equipment and temporary staffing businesses. The assets and liabilities (including debt) and results of operations of Massey and the non-core businesses for all periods presented have been reclassified and are presented as discontinued operations. In addition, the company changed to a calendar-year basis of reporting financial results in connection with the spin-off.

See Management's Discussion and Analysis on pages 14 to 28 and Notes to Consolidated Financial Statements on pages F-6 to F-34 for information relating to significant items affecting the results of operations.

OFFICERS

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ALAN L. BOECKMANNChairman of the Board and
Chief Executive Officer (1979)

SENIOR OFFICERS

STEPHEN L. DOBBS

Group President, Infrastructure (1980)

JEFFERY L. FAULK

Group President, Oil, Gas & Power (1973)

LAWRENCE N. FISHER

Chief Legal Officer and Secretary (1974)

H. STEVEN GILBERTSenior Vice President, Human Resources
and Administration (1970)**KIRK D. GRIMES**

Group President, Global Services (1980)

JOHN A. HOPKINS

Group President, Government (1984)

ROBERT A. McNAMARA

Group President, Industrial (1978)

D. MICHAEL STEUERTSenior Vice President and
Chief Financial Officer (2001)**MARK A. STEVENS**Group Executive, Commercial Strategy &
Risk (1975)

OTHER CORPORATE OFFICERS

JOANNA M. OLIVA

Vice President and Treasurer (2001)

RONALD E. PITTSPresident, Fluor Constructors
International (1976)**VICTOR L. PRECHTL**

Vice President and Controller (1981)

MIN-YING C. TSENG

Vice President, Tax (2000)

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

FORWARD-LOOKING STATEMENTS

The information contained in this document reflects the company's current analysis of its financial condition and results of operations. Due to factors contributing to such differences include, among others:

- Changes in global business, economic, political and social conditions;
- The company's failure to receive anticipated new contract awards;
- Customer cancellations;
- The cyclical nature of many of the markets we serve and their vulnerability to downturns;
- Difficulties or delays incurred in the execution of construction contracts resulting in cost overruns or liabilities;
- Customer delays or defaults in making payments;
- The impact of past and future environmental, health and safety regulations and lawsuits;
- The availability of qualified personnel to perform our contracts;
- The outcome of pending and future disputes and litigation and any government audits or investigations;
- Competition in the global engineering, procurement and construction industry; and,
- The company's ability to identify and successfully integrate acquisitions.

The forward-looking statements may not be realized due to levels that may not be realized, which may relate to accruals that may be charged against future earnings.

Additional information is available in the company's 10-K filed March 15, 2004. These filings are available publicly and upon request from Fluor's Investor Relations Department: 949-349-3909. The forward-looking statements.

2004,



ALAN L. BOECKMANN



JAMES T. HACKETT



DEAN R. O'HARE



DR. MARTHA R. SEGER



PETER J. FLUOR



KENT KRESA



ADMIRAL JOSEPH W. PRUEHER



DR. SUZANNE H. WOOLSEY



DR. DAVID P. GARDNER



VILMA S. MARTINEZ



LORD ROBIN RENWICK



ADMIRAL BOBBY R. INMAN (Retired)

BOARD OF DIRECTORS

ALAN L. BOECKMANN

55, is chairman of the board and chief executive officer. He also serves as a director of Burlington Northern Santa Fe. (2001) ⁽¹⁾

PETER J. FLUOR

56, is chairman and chief executive officer of Texas Crude Energy, Inc. He is Fluor's lead independent director and served as the company's non-executive chairman of the Board during fiscal 1998. He also serves as a director of Devon Energy Corp. (1984) ^{(1) (3) (4)}

DR. DAVID P. GARDNER

71, is chairman of the board of trustees of the J. Paul Getty Trust and former president of both the University of California and the University of Utah. Dr. Gardner is also a director of the Waddell and Reed Funds and president emeritus of the William and Flora Hewlett Foundation. (1988) ^{(1) (3) (4)}

JAMES T. HACKETT

50, is president and chief executive officer and a director of Anadarko Petroleum Corporation. Mr. Hackett is also a director of Kaiser Aluminum Corporation, Temple-Inland, Inc., and the Houston branch of the Federal Reserve Bank of Dallas. (2001) ^{(2) (4)}

KENT KRESA

66, is the retired chairman of the board of directors and chief executive officer of Northrop Grumman Corporation. Mr. Kresa is also a director of General Motors Corporation and Avery Dennison Corporation. (2003) ^{(2) (4)}

VILMA S. MARTINEZ

60, is a partner at the law firm of Munger, Tolles & Olson, and the former president and general counsel for the Mexican-American Legal Defense and Educational Fund (MALDEF). Ms. Martinez is also a director of Anheuser-Busch Companies, Inc., and Burlington Northern Santa Fe Corporation. (1993) ⁽³⁾

DEAN R. O'HARE

61, is the retired chairman and chief executive officer of The Chubb Corporation. He is also a director of H.J. Heinz Company. (1997) ^{(1) (2) (3)}

ADMIRAL JOSEPH W. PRUEHER

61, U.S. Navy (retired), is a consulting professor at Stanford University's Institute of International Studies and senior advisor on The Preventive Defense Project. Admiral Prueher previously served as U.S. Ambassador to the People's Republic of China. He is a director of Merrill Lynch & Co. Inc., Emerson Electric Co. and New York Life Insurance Company. (2003) ^{(3) (4)}

LORD ROBIN RENWICK

66, is vice chairman, Investment Banking, for J. P. Morgan (Europe), and former British Ambassador to the United States of America. He is also a director of British Airways, BHP Billiton Plc, Compagnie Financiere Richemont AG, SAB Miller Plc and Harmony Gold Mining Company Limited. (1997) ^{(2) (3)}

DR. MARTHA R. SEGER

72, is a financial economist and former member of the Board of Governors of the Federal Reserve System. She is also a director of Massey Energy. (1991) ^{(2) (3)}

DR. SUZANNE H. WOOLSEY

62, is the former chief communications officer for The National Academies, advisors to the nation on science, engineering and medicine. Dr. Woolsey is also a director of Neurogen Corporation and Van Kampen Mutual Funds. (2004) ^{(2) (3)}

Retired from Board December 31, 2003

ADMIRAL BOBBY R. INMAN

72, U.S. Navy (retired), is a managing director of Gefinor Ventures, holds the Lyndon B. Johnson Centennial Chair in National Policy at the University of Texas, and is former director of the National Security Agency and deputy director of the Central Intelligence Agency. He is also a director of Massey Energy, Science Applications International, SBC Communications, and Temple-Inland. (1985)

Years in parentheses indicate the year each director was elected to the board.

(1) Executive Committee – Alan L. Boeckmann, Chair; (2) Audit Committee – Dean R. O'Hare, Chair; (3) Governance Committee – David P. Gardner, Chair;
(4) Organization and Compensation Committee – Peter J. Fluor, Chair

UNDERSTANDING OUR FORM 10-K

PROMOTING TRANSPARENCY FOR OUR SHAREHOLDERS

Fluor is committed to providing clear insight into all aspects of financial performance in order to help investors understand our business. This year we've chosen to include the complete Form 10-K in our 2003 Annual Report. The Form 10-K is the report that all U.S. publicly held companies are required to file annually with the Securities and Exchange Commission (SEC).

By including the Form 10-K in our Annual Report, investors now have more comprehensive information about our company and its operations in one place. The following overview is designed to help you easily find and understand the financial information in this document.

FORM 10-K OVERVIEW The information contained in the Form 10-K is broken down into Parts, which are then broken down into Items. Our Form 10-K has four parts:

PART I: OUR BUSINESSES In-depth descriptions of our business and segments, competition, employees, company risk factors, and properties.

PART II: OUR FINANCIAL PERFORMANCE Contains management's discussion of our results of operations and financial condition, our financial statements, notes and supplementary data.

PART III: OUR MANAGEMENT A listing of our executive officers with brief biographies. Also directs readers to our proxy statement for the details on our board of directors and executive compensation.

PART IV: EXHIBITS A listing of exhibits, certain executive and board of directors' signatures, and executive officer certifications.

SHAREHOLDERS' REFERENCE

COMMON STOCK AND DIVIDEND INFORMATION

At March 3, 2004, there were 83,025,390 shares outstanding and approximately 10,489 shareholders of record of Fluor's common stock.

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

	Dividends Per Share	Price Range	
		High	Low
Year Ended December 31, 2003			
First Quarter	\$0.16	\$34.99	\$27.18
Second Quarter	0.16	36.48	33.20
Third Quarter	0.16	37.83	32.80
Fourth Quarter	0.16	40.54	34.60

REGISTRAR AND TRANSFER AGENT
Mellon Investor Services LLC
400 South Hope Street
Fourth Floor
Los Angeles, California 90071

and

Mellon Investor Services LLC
85 Challenger Road
Ridgefield Park, NJ 07660

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

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

Web page address:
www.melloninvestor.com

INDEPENDENT AUDITORS

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

ANNUAL SHAREHOLDERS' MEETING

Annual report and proxy statement are mailed about April 1. Fluor's annual meeting of shareholders will be held at 9:00 a.m. on April 28, 2004, at the Fluor Engineering Campus located at One Fluor Daniel Drive, Aliso Viejo, California.

STOCK TRADING

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

COMPANY CONTACTS

Shareholders May Call
(888) 432-1745

Shareholder Services:

Lawrence N. Fisher
(949) 349-6961

Investor Relations:

Lila J. Churney
(949) 349-3909



DUPLICATE MAILINGS

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

PROXY VOTING

Shareholders may vote their proxies 24 hours a day, 7 days a week. Please refer to your proxy card for control number and complete instructions. Shareholders outside the United States and Canada must vote via the Internet or by mail.

Shareholders of record may vote:

1. electronically via the Internet at www.eproxy.com/flr, or
2. by phone, 800-435-6710 within the United States, or
3. by mailing the completed, signed and dated proxy card.

In most cases, shares held with a bank or brokerage firm may vote:

1. electronically via the Internet at www.proxyvote.com, or
2. by phone, 800-454-8683, or
3. by mailing the completed, signed and dated proxy card.

Please see the instruction provided by your bank or brokerage firm for specific information on how to vote your shares.

ELECTRONIC DELIVERY OF ANNUAL REPORTS AND PROXY STATEMENTS

Register for this free online service! For your convenience, we are offering you, as a Fluor shareholder, the option of viewing future Fluor Annual Reports and Proxy Statements on the Internet. You can access them at your convenience and easily print them if you wish. The best part is that you would receive the information earlier than ever before. Please visit <http://investor.fluor.com> to register and learn more about this cost-effective feature.

Fluor is a registered service mark of Fluor Corporation. TRS is a registered service mark of TRS Staffing Solutions, Inc. AMECO is a registered service mark of American Equipment Company. Site Services and Fleet Outsourcing are service marks of American Equipment Company. Fluor Constructors International, Inc., J.A. Jones and Plant Performance Services are service marks of Fluor Corporation. P2S and P2S ServTech are service marks of Plant Performance Services LLC. Fast Clean is a registered service mark of Plant Performance Services LLC. Del-Jen is a service mark of Del-Jen, Inc.

Fluor Corporation
One Enterprise Drive
Aliso Viejo, CA 92656

The screenshot shows the Fluor website homepage. At the top is a banner featuring a globe and the word "FLUOR". Below the banner are two main navigation menus: "About Fluor" and "Industries & Services". Under "About Fluor", there are links for "What's New", "Investor Relations", "Career Opportunities", "Media Relations", "Community Relations", and "Publications". Under "Industries & Services", there are links for "Project Highlights" and "Projects Online". A search bar is located between these menus. To the right of the menu area is a large image of a futuristic, glowing structure. At the bottom of the page is a footer containing a "Contact Fluor" link and a detailed copyright notice.

Features available
to you on
www.fluor.com

Investor Relations

The screenshot shows the Fluor Investor Relations page. At the top is a banner with the word "FLUOR". Below the banner is a navigation menu with links for "About Fluor", "Media Relations", "Community Relations", "Investor Relations", "Industries & Services", "Project Highlights", and "Career Opportunities". On the left, there is a sidebar with links for "About Fluor", "Investor Relations", "Media Relations", "Community Relations", and "Publications". The main content area is titled "Investor Relations" and contains sections for "Recent Financial Releases", "Recent General Releases", and "Key Information and Financials". It also includes a "Stock Quote" section for NYSE: FLR, showing a price of \$40.73. At the bottom of the page is a "Contact Investor Relations" link and a copyright notice.

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

(Mark One)

- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2003

or

- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission file number 1-16129

FLUOR CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

*(State or other jurisdiction of
incorporation or organization)*

33-0927079

*(I.R.S. Employer
Identification Number)*

**One Enterprise Drive,
Aliso Viejo, California**

(Address of principal executive offices)

92656

(Zip Code)

(949) 349-2000

(Registrant's telephone number, including area code)

Title of Each Class

Name of Each Exchange on Which Registered

Common stock, \$.01 par value

New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). Yes No

Based upon the closing price of the registrant's common stock as of June 30, 2003, the aggregate market value of the common stock held by non-affiliates was \$2,772,295,010.

As of March 3, 2004, there were 83,025,390 shares of Fluor common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Part III incorporates certain information by reference from the registrant's definitive proxy statement for the annual meeting of shareholders to be held on April 28, 2004, which proxy statement will be filed no later than 120 days after the close of the registrant's fiscal year ended December 31, 2003.

FLUOR CORPORATION

INDEX TO ANNUAL REPORT ON FORM 10-K
For the Fiscal Year Ended December 31, 2003

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From time to time, Fluor® Corporation makes certain comments and disclosures in reports and statements, including this report, or statements made by its officers or directors that are not based on historical facts and which may be forward-looking in nature. Under the Private Securities Litigation Reform Act of 1995, a “safe harbor” may be provided to us for certain of these forward-looking statements. We wish to caution readers that forward-looking statements, including disclosures which use words such as the company “believes,” “anticipates,” “expects,” “estimates” and similar statements, are subject to certain risks and uncertainties which could cause actual results of operations to differ materially from expectations.

Any forward-looking statements that we may make are based on our current expectations and beliefs concerning future developments and their potential effects on us. There can be no assurance that future developments affecting us will be those anticipated by us. Any forward-looking statements are subject to the risks and uncertainties that could cause actual results of operations, financial condition, cost reductions, acquisitions, dispositions, financing transactions, operations, expansion, consolidation and other events to differ materially from those expressed or implied in such forward-looking statements. We undertake no obligation to publicly update or revise any forward-looking statements. As a result, the reader is cautioned not to rely on these forward-looking statements. In addition, any forward-looking statements should be considered in context with the various disclosures made by us about our businesses, including without limitation the risk factors more specifically described below in Item 1. Business, under the heading “Company Risk Factors.”

Except as the context otherwise requires, the terms “Fluor” or the “Registrant” as used herein are references to Fluor Corporation and its predecessors and references to the “company”, “we”, “us”, or “our” as used herein shall include Fluor Corporation, its consolidated subsidiaries and divisions.

PART I

Item 1. Business

Fluor Corporation was incorporated in Delaware on September 11, 2000 prior to a reverse spin-off transaction which separated us from our coal business which now operates as Massey Energy Company. However, through various of our predecessors, we have been in business for more than 100 years. Our executive offices are located at One Enterprise Drive, Aliso Viejo, California 92656, telephone number (949) 349-2000.

The company itself is basically a holding company which owns the stock of a number of subsidiaries. It is through these subsidiaries that we perform our business. We operate globally, with offices in 25 countries across six continents. We define our business as providing engineering, procurement, construction and maintenance services. We serve a diverse set of industries ranging from oil and gas to power to industrial clients to the U.S. federal government. We also perform operations and maintenance activities for major industrial clients.

The company provides professional services on a global basis in the fields of engineering, procurement, construction and maintenance. During the first quarter of 2003, the company realigned certain operations to increase focus on the chemicals market. Projects in this market were formerly in the Energy & Chemicals segment and will now be executed and reported in the Industrial & Infrastructure segment. The Energy & Chemicals segment was renamed Oil & Gas and all prior periods have been restated to reflect this change.

We are aligned into five principal operating segments (each, a “segment”). The five segments are Oil & Gas, Industrial & Infrastructure, Government, Global Services and Power. Fluor Constructors International, Inc. which is organized and operates separately from our business segments, provides unionized management, construction and management services in the United States and Canada, both independently and as a subcontractor on projects to our segments.

A summary of our operations and activities by business segment and geographical area is set forth below.

Oil & Gas

The Oil & Gas segment is an integrated service provider offering a full range of design, engineering, procurement, construction and project management services to a broad spectrum of energy-related industries.

We serve a number of specific industries which include upstream oil and gas production, and downstream refining and integrated petrochemicals. Our role in each project can vary, but may involve us providing front-end engineering, program management and final design services, construction management services, self-perform construction, or oversight of other contractors and the responsibility for the procurement of labor, materials, equipment and subcontractors. Our typical projects include new facilities, upgrades and revamps of existing facilities, fire and explosion rebuilds, expansions for refineries, pipeline and offshore facility installations, gas field and oil sands development, and Liquified Natural Gas projects.

Industrial & Infrastructure

The Industrial & Infrastructure segment provides design, engineering, procurement and construction services to the manufacturing, life sciences, commercial and institutional, chemicals, mining, microelectronics, telecommunications and transportation sectors. We provide our clients with the resources of architecture, industrial design, engineering, construction, construction management and commissioning (including validation) for new construction and refurbishment of existing facilities. These projects often require state-of-the-art application of our client's process and intellectual knowledge. We focus on providing our clients with solutions to reduce and contain costs, and to compress delivery schedules. By doing so, our clients are able to begin to use their facilities on a quicker, more cost efficient basis.

Government

The Government segment is a leading provider of project management services to the United States government, particularly to the Department of Energy and the Department of Defense. This segment is presently providing environmental restoration, engineering, construction, site operations and maintenance services at two major Department of Energy project sites.

We also provide engineering and construction services, as well as contingency operations support to the Departments of Defense, State and Transportation and to agencies such as the Federal Emergency Management Agency. Our contingency operations activities, which support military logistical and infrastructure needs around the world, are evidenced by our recent task orders for the U.S. Army Central Command to upgrade military facilities and electrical infrastructure in Iraq. In January 2003, we acquired Del-Jen, Inc., a leading provider of outsourced services to the federal government. Del-Jen provides operations and maintenance services at military bases and education and training services to the Department of Labor, particularly through its Job Corps programs. In November 2003, we acquired the International Division of J.A. Jones Construction Company, focusing on the Department of States' embassy and consulate market. During fiscal 2003, we placed focus on successfully growing our Government business and we will continue to explore further growth and expansion opportunities in this segment.

Global Services

The Global Services segment brings together a variety of customized service capabilities that complement and support our core businesses. Service areas within this segment include operations and maintenance activities, construction and maintenance site services and industrial fleet outsourcing, plant turnaround services, temporary staffing, materials and subcontract procurement, and construction-related support. These markets are largely driven by the growing demand from clients to outsource non-core services. Global Services' activities in the operations and maintenance markets include providing facility management, maintenance, operations and asset management services to the oil and gas, chemicals and life sciences, fossil and nuclear power, and manufacturing industries. We are a leading supplier of integrated facility management services, including on-site maintenance and operation support services. In March 2003, we acquired five specialty operations and maintenance business groups from Philip Services Corporation. The acquired business groups provide operations and maintenance to domestic industrial facilities, particularly in the oil and gas, refining, chemicals, petrochemicals and power generation industries.

We also provide Site Services and Fleet Outsourcing through our American Equipment Company, Inc. ("AMECO") subsidiary. AMECO provides integrated construction equipment, tool and fleet outsourcing solutions on a global basis for construction projects and plant sites. With locations throughout North and South America, AMECO supports some of the largest construction projects and plant locations in the world.

We serve the temporary staffing market through our TRS Staffing Solutions (“TRS”) subsidiary. TRS is a global enterprise of staffing specialists that provide clients with recruiting and placement of temporary, contract and direct hire technical professionals. Our construction and global sourcing and supply organizations provide global resources, processes and technology, market knowledge and experience, and volume-leveraged pricing to the company and third parties.

Power

In the Power segment, we design and construct new power generation facilities, mostly in the fossil fuel power industry. We perform a full range of services, including engineering, procurement, construction, start-up, and maintenance. We also provide the design and installation of emissions equipment to comply with environmental guidelines. In addition, we have been successfully increasing the in-plant services we provide to the power market where, for example, we can assist clients in operational improvements, predictive and preventative maintenance and turbine fleet management. Previously, we performed the vast majority of our power work through our joint venture with Duke Energy. As the power market has cycled down over the past year from historical highs during 2001 and 2002, during fiscal 2003, we elected to discontinue this joint venture and will finish off the existing joint venture contracts. The Power segment also has responsibility for execution of our work in Mexico and Central America through ICA Fluor Daniel, a partnership between us and Grupo ICA.

Discontinued Coal Segment

On November 30, 2000 (the “Distribution Date”), Fluor Corporation (“Old Fluor”), a corporation incorporated in Delaware in 1978 as successor in interest to a California corporation of the same name incorporated in 1924, announced that it had completed a reverse spin-off transaction where Old Fluor’s Coal segment, which previously operated under the name of A. T. Massey Coal Company, Inc. subsidiary, was separated from the other business segments of Old Fluor.

The separation of the two companies was accomplished through a tax-free dividend (the “Distribution”) by Old Fluor of the company. As a result of the Distribution, we became a new entity comprised of all of Old Fluor’s business segments, other than those involving the Coal segment (the “New Fluor Businesses”). Old Fluor, the continuing entity consisting of the Coal segment of Old Fluor, changed its name to Massey Energy Company (“Massey”). As a result, two publicly-traded companies were created: Massey Energy Company, and a “new” Fluor Corporation which is the company that is the subject of this report. Massey Energy is a publicly-traded company that is listed on the New York Stock Exchange as “MEE”, and files its own reports with the Securities and Exchange Commission. Due to the relative significance of the New Fluor Businesses, the New Fluor Businesses have been treated as the “accounting successor” for financial reporting purposes, and the Coal segment has been classified by us as discontinued operations despite the legal form of the separation resulting from the Distribution.

Other Matters

Backlog

The following table sets forth the consolidated backlog of the Oil & Gas, Industrial & Infrastructure, Government, Global Services and Power segments at December 31, 2003 and 2002.

	<u>December 31, 2003</u>	<u>December 31, 2002</u>
	(In millions)	(In millions)
Oil & Gas	\$ 3,420	\$2,336
Industrial & Infrastructure	3,273	4,182
Government	1,488	795
Global Services	1,821	1,555
Power	605	841
Total	<u>\$10,607</u>	<u>\$9,709</u>

The following table sets forth the consolidated backlog of the Oil & Gas, Industrial & Infrastructure, Government, Global Services and Power segments at December 31, 2003 and 2002 by region.

	December 31, 2003	December 31, 2002
	(In millions)	
United States	\$ 5,041	\$5,608
Asia Pacific (Including Australia)	505	712
Europe, Africa and Middle East.....	3,871	1,570
The Americas	<u>1,190</u>	<u>1,819</u>
Total	<u><u>\$10,607</u></u>	<u><u>\$9,709</u></u>

Approximately one-third of backlog will not be performed in 2004.

For purposes of the preceding tables, the equipment, temporary staffing and global sourcing and procurement operations of our Global Services segment do not report backlog due to the short turnaround between the receipt of new awards and the recognition of revenue.

The dollar amount of the backlog is not necessarily indicative of our future earnings related to the performance of such work. Although backlog represents only business which is considered to be firm, there can be no assurance that cancellations or scope adjustments will not occur. Due to additional factors outside of our control, such as changes in project schedules, we cannot predict with certainty the portion of our December 31, 2003 backlog estimated to be performed subsequent to 2004.

For additional information with respect to our backlog, please refer to Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operation, below.

Types of Contracts

While the basic terms and conditions of the contracts that we perform may vary considerably, generally we perform our work under two groups of contracts: cost reimbursable, and guaranteed maximum and fixed price contracts. As of December 31, 2003, the following table breaks down the percentage and amount of revenue associated with these types of contracts for our existing backlog:

	2003 Backlog (In millions)	
Cost Reimbursable	60%	\$6,332
Guaranteed Maximum and Fixed Price.....	40%	\$4,275

Under cost reimbursable contracts, the client reimburses our costs in developing a project and pays us a pre-determined fee or a fee based upon a percentage of the costs incurred in completing the project. Our profit may be in the form of a fee, a simple mark-up applied to labor costs incurred in the contract, or a combination of the two. The fee element may also vary. The fee may be an incentive fee based upon achieving certain performance factors, milestones or targets; it may be a fixed amount in the contract; or it may be based upon a percentage of the costs incurred.

Guaranteed maximum price contracts or GMAX contracts are performed in a manner similar to cost reimbursable contracts except that the total fee plus the total cost cannot exceed an agreed upon guaranteed maximum price. We can be responsible for some or all of the total cost of the project if the cost exceeds the guaranteed maximum price. Where the total cost is less than the negotiated guaranteed maximum price, we will receive the benefit of the cost savings based upon a negotiated agreement with the client.

Fixed price contracts include both negotiated fixed-price contracts and lump sum contracts. Under negotiated fixed price contracts, we are selected as contractor first, and then we negotiate price with the client. These types of contracts generally occur where we commence work before a final price is agreed upon. Under lump sum contracts, we bid on a contract based upon specifications provided by the client against competitors, agreeing to develop a project at a fixed price. Another type of fixed price contract is a so-called unit price contract under which we are paid a set amount for every "unit" of work performed. In some fixed price contracts, we can benefit from some of the savings depending upon whether the client is willing to bear some

of the risk if the actual cost exceeds the contract award. As a result, if we perform well, we can benefit from cost savings; however, if the project does not proceed as originally planned, we cannot recover for cost overruns except in certain limited situations. Under most lump sum contracts, however, because the price paid by the client is not subject to any adjustment based upon changes to the actual cost of the project, while we benefit from all cost savings, we also bear the risk of cost overruns. Thus, these types of contracts can offer greater profit potential if cost savings are realized but also contain more inherent risk.

Our Government segment, as a prime contractor or a major subcontractor for a number of United States government programs, generally performs its services under cost reimbursable contracts although subject to applicable statutes and regulations. In many cases, these contracts include incentive-fee arrangements. The programs in question often take many years to complete and may be implemented by the award of many different contracts. Despite the fact that these programs are generally awarded on a multi-year basis, the funding for the programs is generally approved on an annual basis by Congress. The government is under no obligation to maintain funding at any specific level, or funds for a program may even be eliminated thereby significantly curtailing or stopping a program.

Some of our government contracts are known as Indefinite Delivery Indefinite Quantity agreements. Under these arrangements, we work closely with the government to define the scope and amount of work required based upon an estimate of the maximum amount that the government desires to spend. While the scope is often not initially fully defined or require any specific amount of work, once the project scope is determined, additional work may be awarded to us without the need for further competitive bidding.

Contracts and business with the government are also subject to a number of socio-economic and other requirements as well as certain procurement regulations. If a contractor fails to comply with the requirements and regulations, it could lead to suspension or even debarment from government contracting. Finally, government contracting and the continued funding of programs is also subject to a variety of factors beyond our control such as political developments both domestically and internationally, budget considerations and changes in procurement policies. Thus, many of our government contracts can be terminated at the discretion of the government generally with payment of compensation only for work and commitments made at the time of termination, along with an allowance for profit for work performed.

Competition

We are one of the world's larger providers of engineering, procurement and construction services. The markets served by our business are highly competitive and for the most part require substantial resources, particularly highly skilled and experienced technical personnel. A large number of companies are competing in the markets served by the business, including the Bechtel Group, Inc., the Shaw Group, Jacobs Engineering Group, Kellogg Brown & Root, Washington Group International and Foster Wheeler Corp.

In the engineering and construction arena, our competition is primarily centered on performance and the ability to provide the design, engineering, planning, management and project execution skills required to complete complex projects in a safe, timely and cost-efficient manner. Our engineering, procurement and construction business derives its competitive strength from our diversity, reputation for quality, technology, cost-effectiveness, worldwide procurement capability, project management expertise, geographic coverage and ability to meet client requirements by performing construction on either a union or an open shop basis, ability to execute projects of varying sizes, strong safety record and lengthy experience with a wide range of services and technologies.

The various markets served by the Global Services segment, while containing some similarities, tend also to have discrete issues particularly impacting that unit. Each of the markets we serve has a large number of companies competing in its markets. In the equipment sector, which operates in numerous markets, the equipment rental industry is highly fragmented and very competitive, with most competitors operating in specific geographic areas. The competition for larger capital project services is more narrow and limited to only those capable of providing comprehensive equipment, tool and management services. Temporary staffing is a highly fragmented market with over 1,000 companies competing nationally. The key competitive factors in this business line are price, service, quality, breadth of service, and the ability to retain qualified personnel and geographical coverage. The barriers to entry in operations and maintenance are both financially and logically

low with the result that the industry is highly fragmented with no single company being dominant. Competition is generally driven by reputation, price and the capacity to perform.

Key competitive factors in our Government segment are primarily centered on performance and the ability to provide the design, engineering, planning, management and project execution skills required to complete complex projects in a safe, timely and cost-efficient manner.

Raw Materials

Raw Materials and the components necessary for the conduct of our businesses are generally available from numerous sources. We do not foresee any unavailability of raw materials and components that would have a material adverse effect on our businesses in the near term.

Research and Development

While we engage in research and development efforts both on current projects and in the development of new products and services, during the past three fiscal years, we have not incurred costs for company-sponsored research and development activities which would be material, special or unusual in any of our business segments.

Environmental, Safety and Health Matters

We believe, based upon present information available to us, that our accruals with respect to future environmental costs are adequate and any future costs will not have a material effect on our consolidated financial position, results of operations or liquidity. Some factors, however could result in additional expenditures or the provision of additional accruals in expectation of such expenditures. These include 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 we are potentially responsible for the release of hazardous substances at sites other than those currently identified.

Number of Employees

The following table sets forth the number of employees of Fluor and its subsidiaries engaged in our continuing business segments as of December 31, 2003:

	<u>Total Employees</u>
Oil & Gas.....	4,832
Industrial & Infrastructure	3,228
Government	6,081
Global Services	11,925
Power	818
Other.....	<u>2,127</u>
TOTAL	29,011

With respect to our total number of employees, as of December 31, 2003 we had approximately 17,564 salaried employees and 11,447 craft and hourly employees. The number of craft and hourly employees varies in relation to the number and size of projects we have in process at any particular time. In addition, during fiscal 2003, we had a reduction in the amount of direct hire hourly work which has resulted in a decrease in employment.

Available Information

Our web site address is www.fluor.com. You may obtain free electronic copies of our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments to those reports on our "Investor Relations" portion of our website, <http://investor.fluor.com/Edgar.cfm>, under the heading "SEC Filings." These reports are available on our web site as soon as reasonably practicable after we

electronically file them with the Securities and Exchange Commission. These reports, and any amendments to them, are also available at the internet web site of the Securities and Exchange Commission, <http://www.sec.gov>.

Company Risk Factors

We bear the risk of cost overruns in approximately 40% of the dollar-value of our contracts. We may experience reduced profits or, in some cases, losses under these contracts if costs increase above our estimates.

We conduct our business under various types of contractual arrangements. In terms of dollar-value, the majority of our contracts allocate the risk of cost overruns to our client by requiring our client to reimburse us for our costs. Approximately 40% of the dollar-value of our contracts, however, are guaranteed maximum or lump sum contracts, where we bear a significant portion of the risk for cost overruns. Under these fixed-price contracts, contract prices are established in part on cost and scheduling estimates which are based on a number of assumptions, including assumptions about future economic conditions, prices and availability of labor, equipment and materials, and other exigencies. If these estimates prove inaccurate, or circumstances change, cost overruns may occur, and we could experience reduced profits or, in some cases, a loss for that project.

Our backlog is subject to unexpected adjustments and cancellations and is, therefore, an uncertain indicator of our future earnings.

As of December 31, 2003, our backlog was approximately \$10.6 billion. We cannot guarantee that the revenues projected in our backlog will be realized or, if realized, will result in profits. Projects may remain in our backlog for an extended period of time. In addition, project cancellations or scope adjustments may occur, from time to time, with respect to contracts reflected in our backlog. For example, during our third quarter in fiscal 2003, three projects totaling approximately \$750 million were removed from our backlog. One of the projects was cancelled and removed from our backlog as a result of financing difficulties; the other two projects were cancelled and removed from backlog as a result of our strategic decision to exit a particular market. These types of backlog reductions adversely affect the revenue and profit we actually receive from contracts reflected in our backlog. Future project cancellations and scope adjustments could further reduce the dollar amount of our backlog and the revenues and profits that we actually receive.

If we guarantee the timely completion or performance standards of a project, we could incur additional costs to cover our guarantee obligations.

In some instances and in many of our fixed-price contracts, we guarantee a customer that we will complete a project by a scheduled date. We sometimes provide that the project, when completed, will also achieve certain performance standards. If we subsequently fail to complete the project as scheduled, or if the project subsequently fails to meet guaranteed performance standards, we may be held responsible for cost impacts to the client resulting from any delay or the costs to cause the project to achieve the performance standards. In some cases, where we fail to meet performance standards, we may also be subject to agreed-upon liquidated damages. To the extent that these events occur, the total costs of the project would exceed our original estimates and we could experience reduced profits or, in some cases, a loss for that project.

The nature of our engineering and construction business exposes us to potential liability claims and contract disputes which may reduce our profits.

We engage in engineering and construction activities for large industrial facilities where design, construction or systems failures can result in substantial injury or damage to third parties. Any liability in excess of our insurance limits at locations engineered or constructed by us could result in significant liability claims against us, which claims may reduce our profits. In addition, if there is a customer dispute regarding our performance of project services, the customer may decide to delay or withhold payment to us. If we were ultimately unable to collect on these payments, our profits would be reduced. For example, in connection with disputes relating to our Hamaca Crude Upgrader Project, we had deferred approximately \$179.6 million of incurred costs, as of December 31, 2003. If we fail to obtain a favorable judgment or are unable to collect on

any awards from a favorable judgment in connection with the Hamaca disputes, our profits and financial condition could be materially and adversely affected.

We are vulnerable to the cyclical nature of the markets we serve.

The demand for our services and products is dependent upon the existence of projects with engineering, procurement, construction and management needs. Although downturns can impact our entire business, our telecommunications and mining markets exemplify businesses that are cyclical in nature and continue to be affected by a decrease in worldwide demand for the projects during the past year. Similarly, the Power segment, which services the power industry, has seen strong growth in the past few years due to previously unmet power needs and deregulation but is now seeing its business opportunities decrease relative to the last few years. Industries such as these and many of the others we serve have historically been and will continue to be vulnerable to general downturns and are cyclical in nature. As a result, our past results have varied considerably and may continue to vary depending upon the demand for future projects in these industries.

We maintain a workforce based upon current and anticipated workloads. If we do not receive future contract awards or if these awards are delayed, significant costs may result.

Our estimates of future performance depend on, among other matters, whether and when we will receive certain new contract awards. While our estimates are based upon our good faith judgment, these estimates can be unreliable and may frequently change based on newly available information. In the case of large-scale domestic and international projects where timing is often uncertain, it is particularly difficult to predict whether and when we will receive a contract award. The uncertainty of contract award timing can present difficulties in matching our workforce size with our contract needs. If an expected contract award is delayed or not received, we could incur costs resulting from reductions in staff or redundancy of facilities that would have the effect of reducing our profits.

We have international operations that are subject to foreign economic and political uncertainties. Unexpected and adverse changes in the foreign countries in which we operate could result in project disruptions, increased costs and potential losses.

Our business is subject to fluctuations in demand and to changing domestic and international economic and political conditions which are beyond our control. As of December 31, 2003, approximately 52% of our projected backlog consisted of engineering and construction revenues to be derived from facilities to be constructed in other countries; we expect that a significant portion of our revenues and profits will continue to come from international projects for the foreseeable future.

Operating in the international marketplace exposes us to a number of risks including:

- Abrupt changes in foreign government policies and regulations,
- Embargoes,
- United States government policies, and
- International hostilities.

The lack of a well-developed legal system in some of these countries may make it difficult to enforce our contractual rights. We also face significant risks due to civil strife, acts of war, terrorism and insurrection. Our level of exposure to these risks will vary with respect to each project, depending on the particular stage of each such project. For example, our risk exposure with respect to a project in an early development stage will generally be less than our risk exposure with respect to a project in the middle of construction. To the extent that our international business is affected by unexpected and adverse foreign economic and political conditions, we may experience project disruptions and losses. Project disruptions and losses could significantly reduce our revenues and profits.

Our government contracts may be terminated at any time. Also, if we do not comply with restrictions and regulations imposed by the government, our government contracts may be terminated and we may be unable

to enter into future government contracts. The termination of our government contracts could significantly reduce our expected revenues.

We enter into significant government contracts, from time to time, such as those that we have with the U.S. Department of Energy at Fernald and Hanford. Government contracts are subject to various uncertainties, restrictions and regulations, including oversight audits by government representatives and profit and cost controls. Government contracts are also exposed to uncertainties associated with congressional funding. The government is under no obligation to maintain funding at any specific level and funds for a program may even be eliminated.

In addition, government contracts are subject to specific procurement regulations and a variety of other socio-economic requirements. We must comply with these government regulations and requirements as well as various statutes related to employment practices, environmental protection, recordkeeping and accounting. If we fail to comply with any of these regulations, requirements or statutes, our existing government contracts could be terminated, and we could be temporarily suspended from government contracting or subcontracting. If one or more of our government contracts are terminated for any reason, or if we are suspended from government contract work, we could suffer a significant reduction in expected revenues. We also run the risk of the impact of government audits, investigations and proceedings, and so-called “qui tam” actions which, if an unfavorable result occurs, could impact our profits and financial condition, as well as our ability to obtain future government work.

Our international operations expose us to foreign currency fluctuations that could increase our U.S. dollar costs or reduce our U.S. dollar revenues.

Because our functional currency is the U.S. dollar, we try to denominate our contracts in United States dollars. However, from time to time our contracts are denominated in foreign currencies, which results in our foreign operations facing the additional risk of fluctuating currency values and exchange rates, hard currency shortages and controls on currency exchange. Changes in the value of foreign currencies could increase our U.S. dollar costs for, or reduce our U.S. dollar revenues from, our foreign operations. Any increased costs or reduced revenues as a result of foreign currency fluctuations could affect our profits.

Intense competition in the engineering and construction industry could reduce our market share and profits.

We serve markets that are highly competitive and in which a large number of multinational companies, such as the Bechtel Group, Inc., the Shaw Group, Jacobs Engineering Group, Kellogg Brown & Root, Washington Group International and Foster Wheeler Corp., compete. In particular, the engineering and construction markets are highly competitive and require substantial resources and capital investment in equipment, technology and skilled personnel. Competition also places downward pressure on our contract prices and profit margins. Intense competition is expected to continue in these markets, presenting us with significant challenges in our ability to maintain strong growth rates and acceptable profit margins. If we are unable to meet these competitive challenges, we could lose market share to our competitors and experience an overall reduction in our profits.

The success of our joint ventures depend on the satisfactory performance by our joint venture partners of their joint venture obligations. The failure of our joint venture partners to perform their joint venture obligations could impose on us additional financial and performance obligations that could result in reduced profits or, in some cases, significant losses for us with respect to the joint venture.

We enter into various joint ventures as part of our engineering, procurement and construction businesses, such as ICA/Fluor Daniel, Duke/Fluor Daniel and project specific joint ventures. The success of these and other joint ventures depend, in large part, on the satisfactory performance of our joint venture partners of their joint venture obligations. If our joint venture partners fail to satisfactorily perform their joint venture obligations as a result of financial or other difficulties, the joint venture may be unable to adequately perform or deliver its contracted services. Under these circumstances, we may be required to make additional investments and provide additional services to ensure the adequate performance and delivery of the contracted services. These additional obligations could result in reduced profits or, in some cases, significant losses for us with respect to the joint venture.

We could incur substantial tax liabilities if certain representations and warranties made by our predecessor-in-interest are inaccurate.

Prior to the reverse spin-off involving our former coal segment, our predecessor-in-interest received a ruling from the Internal Revenue Service that the reverse spin-off qualified as a tax-free spin-off under Section 355 of the Internal Revenue Code of 1986, as amended. The ruling was granted based upon certain representations made by our predecessor-in-interest. While we are not aware of any facts or circumstances that would cause those representations to be incorrect or incomplete, if those representations were inaccurate, it is possible that the ruling would no longer be valid. In such event, we could incur a significant corporate tax liability that could have a material adverse effect on our financial condition.

Past and future environmental, safety and health regulations could impose on us significant additional costs that reduce our profits.

We are subject to numerous environmental laws and health and safety regulations. Our projects can involve the handling of hazardous and other highly regulated materials which, if improperly handled or disposed of, could subject us to civil and criminal liabilities. It is impossible to reliably predict the full nature and effect of judicial, legislative or regulatory developments relating to health and safety regulations and environmental protection regulations applicable to our operations. The applicable regulations, as well as the technology and length of time available to comply with those regulations, continue to develop and change. In addition, past activities could also have a material impact on us. For example, when we sold our mining business formerly conducted through St. Joe Minerals Corporation, we retained responsibility for certain non-lead related environmental liabilities, but only to the extent that such liabilities were not covered by St. Joe's comprehensive general liability insurance. While we are not currently aware of any material exposure arising from our former St. Joe's business or otherwise, the costs of complying with rulings and regulations or satisfying any environmental remediation requirements for which we are found responsible could be substantial and could reduce our profits. We are also subject to a number of asbestos-related lawsuits.

If we experience delays and/or defaults in customer payments, we could be unable to recover all expenditures.

Because of the nature of our contracts, at times we commit resources to projects prior to receiving payments from the customer in amounts sufficient to cover expenditures on client projects as they are incurred. Delays in customer payments may require us to make a working capital investment. If a customer defaults in making its payments on a project in which we have devoted significant resources, it could have a material negative effect on our results of operations.

Our recent and any future acquisitions may not be successful.

We expect to continue to pursue select acquisitions of businesses. We cannot assure you that we will be able to locate suitable acquisitions or that we will be able to consummate any such transactions on terms and conditions acceptable to us, or that such transactions will be successful. Acquisitions may bring us into businesses we have not previously conducted and expose us to additional business risks that are different than those we have traditionally experienced. We also may encounter difficulties integrating acquisitions and successfully managing the growth we expect to experience from these acquisitions.

Conversion of our outstanding convertible securities will dilute the ownership interests of our existing stockholders and could adversely affect the market price of our common stock.

We may issue, from time to time, securities that are convertible into shares of our common stock. For example, we recently issued \$330 million aggregate principal amount of our 1.50% Convertible Senior Notes due 2024, which are convertible into an aggregate of 5,898,750 shares of our common stock at the initial conversion price of \$55.94. The conversion of these and other of our convertible securities into shares of our common stock will dilute the ownership interests of our existing stockholders. Any sales in the public market of the common stock issuable upon conversion of these convertible securities could adversely affect prevailing market prices of our common stock. In addition, the existence of our 1.50% Convertible Senior Notes due

2024 could encourage short selling by market participants due to this dilution or to facilitate trading strategies involving the notes and our common stock.

Item 2. Properties

Major Facilities

Operations of Fluor and its subsidiaries are conducted in both owned and leased properties totaling approximately 7.0 million square feet. In addition, certain owned or leased properties of Fluor and its subsidiaries are leased or subleased to third party tenants. The following table describes the location and general character of the major existing facilities:

<u>Location</u>	<u>Interest</u>	<u>Purpose</u>
United States and Canada:		
Aliso Viejo, California	Leased	Executive offices, general office and engineering
Calgary, Canada	Leased	Fluor Canada operations
Charlotte, North Carolina	Leased	Duke/Fluor Daniel operations and J.A. Jones International operations
Cincinnati, Ohio	Leased	General office and engineering
Greenville, South Carolina	Owned and Leased	General office, engineering, AMECO operations and undeveloped land
Houston (Sugar Land), Texas.....	Owned and Leased	General office, engineering and undeveloped land
Richland, Washington	Leased	Government operations
Rumford, Rhode Island	Leased	Industrial & Infrastructure operations and general office
San Juan, Puerto Rico	Leased	General office and engineering
Tucson, Arizona.....	Leased	General office and engineering
Vancouver, Canada	Leased	General office and engineering
The Americas:		
Caracas, Venezuela	Leased	General office and engineering
Mexico City, Mexico	Leased	ICA Fluor Daniel operations
Santiago, Chile	Owned	Fluor Chile operations
Europe, Africa and Middle East:		
Al Khobar, Saudi Arabia (Dhahran area)	Owned	Fluor Arabia operations
Asturias, Spain.....	Owned	Fluor Spain operations
Camberley, England	Owned and Leased	Fluor Limited operations
Gliwice, Poland	Owned	General office and engineering
Haarlem, Netherlands.....	Owned and Leased	General office and engineering
Sandton, South Africa	Leased	Fluor South Africa operations
Asia and Asia Pacific:		
Jakarta, Indonesia	Leased	Fluor Daniel Eastern, Inc. operations
Manila, Philippines	Owned	Fluor Daniel Inc. Philippines operations
Melbourne, Australia.....	Leased	Fluor Australia operations
New Dehli, India.....	Leased	Fluor Daniel India Private Ltd. operations
Perth, Australia	Leased	Fluor Australia operations

Item 3. Legal Proceedings

Fluor and its subsidiaries, as part of their normal business activities, are parties to a number of legal proceedings and other matters in various stages of development. While we cannot predict the outcome of these proceedings, in our opinion and based on reports of counsel, any liability arising from these matters individually and in the aggregate will not have a material adverse effect upon the consolidated financial position, or the results of operations of the company, after giving effect to provisions already recorded.

In addition to the matters described above, we are involved in disputes with respect to the Hamaca Crude Upgrader Project located in Jose, Venezuela. We are part of a joint venture which is actively proceeding on a number of issues under binding arbitration to recover certain costs we have incurred with respect to this project. For additional information on the Hamaca disputes and certain other matters in dispute, see the section entitled "Matters in Dispute Resolution" in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operation, below.

Item 4. Submission of Matters to a Vote of Security Holders

The company did not submit any matters to a vote of security holders during the fourth quarter of 2003.

PART II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters

Our common stock is traded on The New York Stock Exchange under the symbol "FLR." The following table sets forth for the quarters indicated the high and low sales prices of our common stock, as reported in the Consolidated Transactions Reporting System, and the cash dividends paid per share of common stock.

	Common Stock Price Range		Dividends Per Share
	High	Low	
Year Ended December 31, 2003			
Fourth Quarter	\$40.54	\$34.60	\$0.16
Third Quarter	\$37.83	\$32.80	\$0.16
Second Quarter	\$36.48	\$33.20	\$0.16
First Quarter	\$34.99	\$27.18	\$0.16
Year Ended December 31, 2002			
Fourth Quarter	\$28.42	\$20.94	\$0.16
Third Quarter	\$37.66	\$24.00	\$0.16
Second Quarter	\$44.57	\$35.46	\$0.16
First Quarter	\$43.91	\$29.59	\$0.16

For each of the four quarters for the years ended December 31, 2003 and 2002, we have paid a \$0.16 per share cash dividend. We expect to pay comparable dividends in the future. However, any future cash dividends will depend upon our results of operations, financial condition, cash requirements, availability of surplus and such other factors as our board of directors may deem relevant. See "Risk Factors."

At March 3, 2004, there were 83,025,390 shares outstanding and approximately 10,489 shareholders of record of the company's common stock.

Additional information required by this item regarding our equity compensation plans as of December 31, 2003 is included under the subheading "Equity Compensation Plan Information" on page 27 of our Proxy Statement to be filed with the Commission pursuant to Regulation 14A within 120 days after the end of our fiscal year, and which information is incorporated herein by reference.

Item 6. Selected Financial Data

The following table presents selected financial data for the last five fiscal years. This selected financial data should be read in conjunction with the consolidated financial statements and related notes included in Item 8 of this Form 10-K. Amounts are expressed in millions, except for per share information:

	Year Ended December 31,			Year Ended October 31,	
	2003	2002	2001	2000	1999
CONSOLIDATED OPERATING RESULTS					
Revenues	\$8,805.7	\$9,959.0	\$ 8,972.2	\$9,422.9	\$10,752.3
Earnings from continuing operations before taxes	268.0	260.5	185.3	164.3	88.7
Earnings from continuing operations	179.5	170.0	127.8	116.3	38.2
Earnings (loss) from discontinued operations	(11.6)	(6.4)	(108.4)	7.7	66.0
Cumulative effect of change in accounting principle	(10.4)	—	—	—	—
Net earnings	157.5	163.6	19.4	124.0	104.2
Basic earnings (loss) per share					
Continuing operations	2.25	2.14	1.64	1.55	0.51
Discontinued operations	(0.15)	(0.08)	(1.39)	0.10	0.87
Cumulative effect of change in accounting principle	(0.13)	—	—	—	—
Net earnings	1.97	2.06	0.25	1.65	1.38
Diluted earnings (loss) per share					
Continuing operations	2.23	2.13	1.61	1.52	0.50
Discontinued operations	(0.15)	(0.08)	(1.36)	0.10	0.87
Cumulative effect of change in accounting principle	(0.13)	—	—	—	—
Net earnings	1.95	2.05	0.25	1.62	1.37
Return on average shareholders' equity	16.2%	19.4%	2.6%	7.7%	6.8%
Cash dividends per common share	0.64	0.64	0.64	1.00	0.80
CONSOLIDATED FINANCIAL POSITION					
Current assets	\$2,213.6	\$1,924.1	\$ 1,851.3	\$1,318.3	\$ 1,391.1
Current liabilities	1,829.1	1,756.2	1,862.7	1,570.3	1,834.2
Working capital	384.5	167.9	(11.4)	(252.0)	(443.1)
Property, plant and equipment, net	569.5	467.0	508.1	570.8	514.7
Total assets	3,449.5	3,142.2	3,142.5	4,958.4	4,886.1
Capitalization					
Short-term debt */**	221.5	—	38.4	88.7	20.7
Long-term debt **	44.6	17.6	17.6	17.6	17.5
Shareholders' equity	1,081.5	883.9	789.3	1,609.2	1,581.4
Total capitalization	1,347.6	901.5	845.3	1,715.5	1,619.7
Total debt as a percent of total capitalization	19.7%	2.0%	6.6%	6.2%	2.4%
Shareholders' equity per common share	13.17	11.02	9.85	21.25	20.80
Common shares outstanding at period end	82.1	80.2	80.1	75.7	76.0
OTHER DATA					
New awards	\$9,976.0	\$8,596.8	\$10,766.6	\$9,644.2	\$ 6,789.4
Backlog at year end	10,607.1	9,709.1	11,505.5	10,012.2	9,142.0
Capital expenditures — continuing operations	79.2	63.0	148.4	156.2	140.6
Cash provided by (used in) operating activities	(300.5)	195.7	621.8	186.1	572.6

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

** December 31, 2003 includes \$127.0 million in debt (\$100.0 million in short-term and \$27.0 million in long-term) from the consolidation of variable interest entities as prescribed by FASB Interpretation No. 46.

In November 2000, a spin-off distribution to shareholders was effected which separated then existing Fluor Corporation into two publicly traded companies — new Fluor ("Fluor" or the "company") and Massey Energy Company ("Massey"). Massey's results of operations for all periods prior to the spin-off are presented as discontinued operations.

In September 2001, the company adopted a plan to dispose of certain non-core construction equipment and temporary staffing businesses. The assets and liabilities (including debt) and results of operations of Massey and the non-core businesses for all periods presented have been reclassified and are presented as discontinued operations. In addition, the company changed to a calendar-year basis of reporting financial results in connection with the spin-off.

See Management's Discussion and Analysis on pages 14 to 28 and Notes to Consolidated Financial Statements on pages F-6 to F-34 for information relating to significant items affecting the results of operations.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Introduction

The following discussion and analysis is provided to increase understanding of, and should be read in conjunction with, the consolidated financial statements and accompanying notes. For purposes of reviewing this document, "operating profit" is calculated as revenues less cost of revenues excluding: corporate administrative and general expense; interest expense; interest income; domestic and foreign income taxes; other non-operating income and expense items; earnings or loss from discontinued operations; and cumulative effect of change in accounting principle.

The company reports financial results on a calendar-year basis for all periods subsequent to December 31, 2000.

Accounting Pronouncements

Following is a discussion of the impact of recent accounting and financial reporting pronouncements that have been applied in the preparation of the company's consolidated financial statements and accompanying notes. This information is provided to assist in an understanding of the impact such changes have had on the company's financial reporting.

In August 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" (SFAS 144). Under SFAS 144, a component of a business that is held for sale is reported in discontinued operations if (i) the operations and cash flows will be, or have been, eliminated from the ongoing operations of the company and, (ii) the company will not have any significant continuing involvement in such operations. In the quarter ended September 30, 2001, the company adopted the provisions of SFAS 144 effective January 1, 2001.

In September 2001, the Board of Directors approved a plan to dispose of certain non-core operations of the company's construction equipment and temporary staffing businesses. An active program to consummate such disposal was completed in 2003 with the disposition of the last remaining operation in the construction equipment business. The operating results for discontinued operations are discussed later in this Management's Discussion and Analysis.

In June 2001, the Financial Accounting Standards Board issued Statements of Financial Accounting Standards No. 141, "Business Combinations" and No. 142, "Goodwill and Other Intangible Assets". These statements were effective for the company's calendar year 2002. Under the new rules, goodwill is no longer amortized, but is subject to annual impairment tests. During 2003, the company completed its annual goodwill impairment tests in the first quarter and has determined that none of the goodwill is impaired. Application of the non-amortization provisions resulted in an increase in earnings from continuing operations of \$3.4 million (\$0.04 per diluted share) in 2002 and 2003 compared with 2001.

In June 2002, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 146, "Accounting for Costs Associated with Exit or Disposal Activities" (SFAS 146). SFAS 146 requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred. The Statement also establishes that fair value is the objective for initial measurement of the liability. SFAS 146 is effective for exit or disposal activities that are initiated after December 31, 2002. Application of this statement did not have a significant effect on the company's consolidated results of operations or financial position in 2003.

In November 2002, the Financial Accounting Standards Board issued FASB Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" (FIN 45). FIN 45 expands on the accounting and disclosure requirements under existing accounting standards. It clarifies that a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of the obligation. Disclosures required by the Interpretation are provided below in the Financial Position and Liquidity section of this Management's Discussion and Analysis and in the footnotes to the accompanying financial statements. The accounting requirements of the Interpretation are applicable to transactions entered into beginning January 1, 2003. Application of this Interpretation did not have a significant effect on the company's consolidated results of operations or financial position in 2003.

In December 2003, the Financial Accounting Standards Board issued FASB Interpretation No. 46 (Revised), “Consolidation of Variable Interest Entities” (FIN 46-R). FIN 46-R provides the principles to consider in determining when variable interest entities must be consolidated in the financial statements of the primary beneficiary. In general, a variable interest entity is an entity used for business purposes that either (a) does not have equity investors with voting rights or (b) has equity investors that are not required to provide sufficient financial resources for the entity to support its activities without additional subordinated financial support. FIN 46-R requires a variable interest entity to be consolidated by a company if that company is subject to a majority of the risk of loss from the variable interest entity’s activities or entitled to receive a majority of the entity’s residual returns or both. A company that consolidates a variable interest entity is called the primary beneficiary of that entity.

Certain of the company’s engineering office facilities are leased through arrangements involving variable interest entities. Beginning in 2003, the company now consolidates these entities in its financial statements as prescribed by FIN 46-R. At December 31, 2003, the effect of this consolidation resulted in an increase of \$100 million and \$27 million in reported short-term and long-term debt, respectively, and an increase in Property, Plant and Equipment of \$107 million. None of the terms of the leasing arrangements or the company’s obligations as a lessee were impacted by this change in accounting. The cumulative impact of the difference in earnings, amounting to a charge of \$10.4 million net of tax, relating to prior years was reported in the first quarter of 2003 as the cumulative effect of a change in accounting principle. The company may also use variable interest entities from time to time to facilitate financing of various projects. There are no such financing entities in use at the present time.

Contracts that are executed jointly through partnerships and joint ventures are proportionally consolidated in accordance with Emerging Issues Task Force Issue 00-01, “Investor Balance Sheet and Income Statement Display under the Equity Method for Investments in Certain Partnerships and Other Ventures” (EITF 00-01) and Statement of Position 81-1, “Accounting for Performance of Construction Type and Certain Production Type Contracts” (SOP 81-1) issued by the American Institute of Certified Public Accountants. The company evaluates the applicability of FIN 46-R to partnerships and joint ventures at the inception of its participation to ensure its accounting is in accordance with the appropriate standards.

In April 2003 the FASB issued Statement of Financial Accounting Standard No. 149, “Amendments of Statement 133 on Derivative Instruments and Hedging Activities” (SFAS 149). SFAS 149 amends and clarifies accounting for derivative instruments embedded in other contracts, and for hedging activities under SFAS 133. SFAS 149 is effective for contracts entered into or modified and hedging relationships designated after June 30, 2003. The adoption of the provisions of SFAS 149 did not have a material effect on the company’s consolidated financial statements.

On May 15, 2003, the FASB issued Statement of Financial Accounting Standards No. 150, “Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity” (SFAS 150). SFAS 150 establishes standards for classifying and measuring certain financial instruments that have characteristics of both liabilities and equity. SFAS 150 is effective for financial instruments entered into or modified after May 31, 2003. SFAS 150 did not have a material effect on the company’s consolidated financial statements.

Discussion of Critical Accounting Policies

The company’s discussion and analysis of its financial condition and results of operations is based upon its consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The company’s significant accounting policies are described in notes accompanying the consolidated financial statements. The preparation of the consolidated financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. Estimates are based on information available as of the date of the financial statements, and accordingly, actual results in future periods could differ from these estimates. Significant judgments and estimates used in the preparation of the consolidated financial statements apply the following critical accounting policies.

Engineering and Construction Contracts. Engineering and construction contract revenues are recognized on the percentage-of-completion method based on contract costs incurred to date compared with total

estimated contract costs. This method of revenue recognition requires the company to prepare estimates of costs to complete contracts in progress. In making such estimates, judgments are required to evaluate contingencies such as potential variances in schedule and the cost of materials, labor costs and productivity, the impact of change orders, liability claims, contract disputes, or achievement of contractual performance standards. Changes in total estimated contract costs and losses, if any, are recognized in the period they are determined. The majority of the company's engineering and construction contracts provide for reimbursement of costs plus a fixed or percentage fee. In the highly competitive markets served by the company, there is an increasing trend for cost-reimbursable contracts with incentive-fee arrangements. As of December 31, 2003, approximately 60 percent of the company's backlog was cost reimbursable while approximately 40 percent was for guaranteed maximum, fixed or unit price contracts. In certain instances, the company has provided guaranteed completion dates and/or achievement of other performance criteria. Failure to meet schedule or performance guarantees or increases in contract costs can result in unrealized incentive fees or non-recoverable costs, which could exceed revenues realized from the project.

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. The company recognizes certain significant claims for recovery of incurred costs when it is probable that the claim will result in additional contract revenue and when the amount of the claim can be reliably estimated. Unapproved change orders are accounted for in revenue and cost when it is probable that the costs will be recovered through a change in the contract price. In circumstances where recovery is considered probable but the revenues cannot be reliably estimated, costs attributable to change orders are deferred pending determination of the impact on contract price. Backlog in the engineering and construction industry is a measure of the total dollar value of work to be performed on contracts awarded and in progress. Although backlog reflects business that is considered to be firm, cancellations or scope adjustments may occur. Backlog is adjusted to reflect any known project cancellations, deferrals and revised project scope and costs, both upward and downward.

Engineering and Construction Partnerships and Joint Ventures. Certain contracts are executed jointly through partnerships and joint ventures with unrelated third parties. The company accounts for its interests in the operations of these ventures on a proportional consolidation basis. Under this method of accounting, the company consolidates its proportional share of venture revenues, costs and operating profits in the consolidated statement of earnings and generally uses the one-line equity method of accounting in the consolidated balance sheet. The most significant application of the proportional consolidation method is in the Power segment. This segment includes Duke/Fluor Daniel and ICA Fluor Daniel.

The company's accounting for project specific joint venture or consortium arrangements is closely integrated with the accounting for the underlying engineering and construction project for which the joint venture was established. The company engages in project specific joint venture or consortium arrangements in the ordinary course of business to share risks and/or to secure specialty skills required for project execution. Frequently, these arrangements are characterized by a 50 percent or less ownership or participation interest that requires only a small initial investment. Execution of a project is generally the single business purpose of these joint venture arrangements. When the company is the primary contractor responsible for execution, the project is accounted for as part of normal operations and included in consolidated revenues using appropriate contract accounting principles.

Foreign Currency. The company generally limits its exposure to foreign currency fluctuations in most of its engineering and construction contracts through provisions that require client payments in U.S. dollars or other currencies corresponding to the currency in which costs are incurred. As a result, the company generally does not need to hedge foreign currency cash flows for contract work performed. Under certain limited circumstances, such foreign currency payment provisions could be deemed embedded derivatives. As of December 31, 2003, 2002 and 2001, the company had no significant foreign currency arrangements that constitute embedded derivatives in any of its contracts. Managing foreign currency risk on projects requires estimates of future cash flows and judgments about the timing and distribution of expenditures of foreign currencies.

The company generally uses forward exchange contracts to hedge foreign currency transactions where contract provisions do not contain foreign currency provisions or the transaction is for a non-contract-related expenditure. The objective of this activity is to hedge the foreign exchange currency risk due to changes in

exchange rates for currencies in which anticipated future cash payments will be made. As of December 31, 2003, 2002 and 2001, the company did not have any significant forward exchange contracts. The company does not engage in currency speculation.

In connection with the Hamaca Crude Upgrader Project located in Jose, Venezuela, the company has incurred foreign currency exposures and related translation losses due to weakness in the Venezuelan Bolivar compared with the U.S. dollar. See additional discussion concerning the Hamaca project below under Results of Operations-Oil & Gas.

Deferred 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. At December 31, 2003 the company had deferred tax assets of \$288.8 million which were partially offset by a valuation allowance of \$63.7 million and further reduced by deferred tax liabilities of \$40.5 million. The valuation allowance reduces certain deferred tax assets to amounts that are more likely than not to be realized. This allowance primarily relates to the deferred tax assets established for certain tax credit carryforwards, net operating and capital loss carryforwards for U.S. and non-U.S. subsidiaries, and certain project performance reserves. The company evaluates the realizability of its deferred tax assets by assessing its valuation allowance and by adjusting the amount of such allowance, if necessary. The factors used to assess the likelihood of realization are the company's forecast of future taxable income and available tax planning strategies that could be implemented to realize the net deferred tax assets. Failure to achieve forecasted taxable income in the applicable taxing jurisdictions could affect the ultimate realization of deferred tax assets and could result in an increase in the company's effective tax rate on future earnings.

Retirement Benefits. The company accounts for its defined benefit pension plans in accordance with Statement of Financial Accounting Standards No. 87, "Employers' Accounting for Pensions", as amended (SFAS 87). As permitted by SFAS 87, changes in retirement plan obligations and assets set aside to pay benefits are not recognized as they occur but are recognized over subsequent periods. Assumptions concerning discount rates, long-term rates of return on assets and rates of increase in compensation levels are determined based on the current economic environment in each host country at the end of each respective annual reporting period. The company evaluates the funded status of each of its retirement plans using these current assumptions and determines the appropriate funding level considering applicable regulatory requirements, tax deductibility, reporting considerations and other factors. Recent decreases in long-term interest rates have the effect of increasing plan liabilities and if expected returns on plan assets are not achieved, future funding obligations could increase substantially. Assuming no changes in current assumptions, the company expects to fund approximately \$30 to \$50 million for the calendar year 2004. If the discount rate were reduced by 25 basis points, plan liabilities would increase by approximately \$25 million.

Results of Operations

Summary of Overall Company Results

Revenue declined 12 percent in 2003 compared with 2002 primarily due to declines in the Power and Oil & Gas segments. Earnings from continuing operations increased 4.7 percent to \$2.23 per share in 2003 compared with \$2.13 per share in 2002. The increase in earnings is primarily attributable to reduced corporate administrative and general expense and a lower tax rate on earnings from continuing operations. Lower segment operating profit, primarily in the Power segment, and lower net interest income partially offset these improvements. The company has experienced a significant decline in Power segment revenue and earnings as most projects in the segment were completed and not replaced by new awards. The decline in new awards in the Power segment over the last two years reflects a cyclical downward trend in the demand for new power plant construction. Partially offsetting this trend in Power is an increasing trend for new awards in the Oil & Gas and Government segments. The company believes that the global oil and gas industry is in the early stages of a long-term cycle of investment that will continue to develop over the next three to five years. In addition, the trend for new awards in the Government segment have increased due to awards for work in Iraq as well as the completion of two niche acquisitions that improves the company's service offering to both the Department of Defense and Department of State.

Revenue increased 11 percent in 2002 compared with 2001 primarily due to an increase in the Oil & Gas segment. Earnings from continuing operations increased 32 percent to \$2.13 per share in 2002 compared with

\$1.61 per share in 2001. This increase is partially due to a net \$15.2 million (\$0.19 per share) charge for stock price driven compensation plan expense in 2001 due to the increase in stock price primarily in the first quarter of the year. Excluding the stock price charge, the increase in earnings from continuing operations in 2002 compared with 2001 was 18.9 percent. This increase is primarily due to significantly improved operating profit performance in the Power segment as earnings were recognized on completed projects that were awarded in prior years.

The company had net earnings of \$1.95 per share in 2003 compared with \$2.05 in 2002 and \$0.25 in 2001. Results in 2003 were negatively impacted by a loss from discontinued operations of \$0.15 per share and a loss of \$0.13 per share for the cumulative effect of a change in accounting principle. Results in 2002 and 2001 include losses from discontinued operations of \$0.08 per share and \$1.36 per share, respectively. The results of discontinued operations is further discussed below. The loss from the cumulative effect of change in accounting principle is discussed above under Accounting Pronouncements.

Following is a discussion of the operating performance of each business segment, corporate administrative and general expense and other items.

The company provides professional services on a global basis in the fields of engineering, procurement, construction and maintenance. During the first quarter of 2003, the company realigned certain operations to increase focus on the chemicals market. Projects in this market were formerly in the Energy & Chemicals segment and will now be executed and reported in the Industrial & Infrastructure segment. The Energy & Chemicals segment was renamed Oil & Gas and all prior periods have been restated to reflect this change.

The company is organized into five business segments: Oil & Gas, Industrial & Infrastructure, Government, Global Services and Power. The Oil & Gas segment provides engineering and construction professional services for upstream oil and gas production, downstream refining and certain petrochemical markets. The Industrial & Infrastructure segment provides engineering and construction professional services for manufacturing and life sciences facilities, commercial and institutional buildings, mining, chemicals, telecommunications and transportation projects and other facilities. The Government segment provides project management engineering, construction, and contingency response services to the United States government. The Global Services segment includes operations and maintenance, construction equipment, temporary staffing and global sourcing and procurement services. The Power segment provides professional services to engineer and construct power generation facilities. Services provided by the Power segment are conducted through two joint ventures; Duke/Fluor Daniel, a 50 percent owned partnership with Duke Energy, and ICA Fluor Daniel, a 49 percent owned joint venture with Grupo ICA, a Mexican company. The results of segment operations as reported herein have been conformed to the organizational alignment discussed above for all periods presented.

Oil & Gas. Revenue in the Oil & Gas segment amounted to \$2.6 billion for the year ended December 31, 2003 representing a decrease of 24 percent over revenue for the year ended December 31, 2002. Revenue for the 2002 period increased 54 percent compared with the year ended December 31, 2001. The decrease in revenue during 2003 reflects the completion of several projects during the year and revenue recognition from projects awarded in 2003 did not fully replace the revenue on the completed projects. The revenue increase in 2002 compared with 2001 reflects the increase in work performed on projects in the full execution stage compared with revenue primarily from front-end studies and preliminary engineering in the 2001 period. Operating profit margin in the Oil & Gas segment increased in 2003 to 4.6 percent compared with 3.7 percent in 2002 due to the higher content of project completions combined with improved execution performance. Operating profit margin in 2002 was lower than the 4.5 percent that was achieved in 2001 due to the impact of projects moving to full execution from the higher margin front-end studies and preliminary engineering work performed in 2001.

A major ongoing project in the Oil & Gas segment in 2003 is the Hamaca Crude Upgrader Project (“Hamaca”) located in Jose, Venezuela. Hamaca is a \$1.1 billion lump sum project (including \$92 million of approved change orders) of Grupo Alvica (“GA”), a joint venture including Fluor Daniel (80 percent) and Inelectra C.A. (20 percent), to design and build a petroleum upgrader for a consortium of owners called Petrolera Ameriven (“PA”) including Petroleos de Venezuela S.A. (“PDVSA”), ChevronTexaco and ConocoPhillips.

The joint venture is actively pursuing two cost and schedule relief issues that were referred to arbitration in December 2001: the first is responsibility for costs arising from the site labor agreement for 2000 called "Acta Convenio" and the second relates to modifications and extra work arising from differing site soil conditions. The hearings on the fundamental cost differences between the earlier 1998 labor agreement and the 2000 Acta Convenio were held in April 2003. The site soil conditions issue was the subject of hearings in November 2002. There are no monetary cross-claims by PA in the arbitration. Events in Venezuela including a national strike in early 2003 have had a significant impact on the progress of the project. In accordance with the contract, the joint venture is entitled to cost and schedule relief for the impact of the national strike. A change order relating to the national strike in the approximate amount of \$340 million was submitted by GA. This action was followed by the filing of an arbitration claim relating to this issue in January 2004. A time schedule for the resolution of the claim will be established by the arbitration panel in the near future. Force majeure incidents occurring prior to the national strike also were the subject of arbitration hearings in October 2003.

The arbitration panel, by procedural order dated January 8, 2004, has ordered PA to refrain from taking any action to seek liquidated delay damages, making claim against or drawing down on a Letter of Credit, terminating the contract with GA, or making any demands pursuant to any guarantee provisions in the contract, pending completion of the site soil conditions issues. The award on the site soils conditions matter is anticipated in the near future. The client has conditionally accepted responsibility relating to the soil conditions and \$28 million of incurred costs has been paid. The amount of the claim for site soil conditions is \$159 million including the \$28 million conditional payment. The company is accounting for the additional costs incurred for the soil conditions matter as additional revenue as payments are received. The amount of the claim for Acta Convenio is \$210 million and no payments have been made by the client relating to this matter.

Incurred costs associated with Acta Convenio, soil conditions, the recent national strike and other claims are probable of being recovered and thus are being deferred. These costs will be recognized in revenue when a change order is approved or payment is received. As of December 31, 2003, incurred costs amounting to \$179.6 million have been deferred. Substantial additional costs are expected to be incurred as the project progresses and resolution of outstanding issues concerning the total amount to be awarded and schedule extensions are yet to be determined. If costs relating to Acta Convenio, soil conditions, the recent national strike or other claims are determined to be not recoverable, the company could face reduced profits or losses on this project, along with lower levels of cash and additional borrowings. The project remains subject to future disruptions that could result in additional costs and claims.

New awards in the Oil & Gas segment were \$3.7 billion in 2003 compared to \$1.9 billion in 2002. New project awards in 2003 include the Tengizchevroil ("TCO") project, a major oil and gas development in Kazakhstan. The TCO project was expected to be awarded in 2002 but was temporarily suspended due to funding considerations, which were resolved early in 2003. Also included in new awards in 2003 is the Sakhalin I program and construction management project led by ExxonMobil and a project for Lukoil, a major Russian oil company. New awards in the Oil & Gas segment were \$1.9 billion in 2002, a decline of 13 percent over 2001. The 2002 decline was primarily due to the previously mentioned temporary suspension of the TCO project. The large size and uncertain timing of complex, international projects can create variability in the segment's award pattern; consequently, future award trends are difficult to predict with certainty.

Backlog for the Oil & Gas segment increased to \$3.4 billion at December 31, 2003 compared with \$2.3 billion at December 31, 2002. This increase is due to the higher level of new awards in 2003 and the lower level of work performed on these new awards as they are in the early stages of project execution where activity is focused on engineering and project planning. Backlog declined to \$2.3 billion at December 31, 2002 compared with \$3.7 billion at December 31, 2001. The 2002 decline in backlog primarily is the result of the temporary suspension in 2002 of the TCO project that was awarded in early 2003 as discussed above.

Industrial & Infrastructure. The Industrial & Infrastructure segment had revenues of \$2.6 billion for the year ended December 31, 2003, an 8 percent increase compared with the previous year. This increase primarily reflects the higher volume of work performed on life sciences projects awarded in 2002 partially offset by lower volume of work performed on mining projects as a number of projects were completed in 2002

and not replaced with new awards. The Industrial & Infrastructure segment had revenues of \$2.4 billion for the year ended December 31, 2002 essentially flat with the revenues for the year ended December 31, 2001.

Operating profit for the segment was impacted in both 2003 and 2002 by provisions relating to projects awarded in previous years. In 2003 operating profit was negatively impacted by a pre-tax provision of \$7.4 million relating to the write-down of an equity investment in a magnesium smelter project in Australia. The investment was committed in previous years as part of a consulting arrangement with the client where the company agreed to be compensated for its services in shares of the client's capital stock. Due to funding considerations, continued development of the project was suspended resulting in the client seeking bankruptcy protection. Because the company was not the execution contractor there was no impact on backlog or operating results from project execution.

A pre-tax \$26 million dispute resolution provision in 2002 primarily relates to an unfavorable arbitration ruling on the Verde Gold project in Chile, a gold ore processing facility completed in 1996. During the second quarter of 2002, the company recognized a loss provision of \$20 million representing the arbitration award plus applicable interest, less a \$3 million reserve provided in prior years. The company anticipates recovering a portion of the award from available insurance and has recorded \$6 million in expected insurance recoveries. The net impact on results of operations for 2002 was a charge of \$14 million.

The 2003 operating profit margin in the Industrial & Infrastructure segment was essentially flat with 2002. These results are substantially below results achieved in 2001 primarily due to the provisions discussed above. In 2003 margins were also lower due to the increased volume of construction management work and lack of project margin on projects that were removed from backlog which are discussed below.

New awards in the Industrial & Infrastructure segment were \$2.6 billion compared with \$3.5 billion in 2002. New awards in 2002 included a substantial award for the SH 130 toll road project in Texas. In addition, new awards in 2003 were lower than 2002 and 2001 due to continuing economic weakness in the mining, telecommunications and manufacturing markets reflecting overcapacity and poor commodity pricing in these industries.

Backlog for the Industrial & Infrastructure segment declined to \$3.3 billion compared with \$4.2 billion at December 31, 2002. Contributing to this decline was the removal of \$750 million for three projects that had been booked during the previous two years. One of these was a mining project that was removed due to considerations relating to ongoing financing. The other two were commercial projects that the company decided to not execute due to evolving changes in industry liability. The increase in backlog to \$4.2 billion at December 31, 2002 compared with \$3.1 billion as of December 31, 2001 reflects the strong increase particularly in life sciences and transportation awards in 2002.

Government. The Government segment had revenues of \$1.7 billion for the year ended December 31, 2003 compared with revenue of \$1.0 billion in 2002. This 78 percent increase is primarily due to the substantial increase in work performed for the Department of Defense on the Midcourse Missile Defense test bed facilities in Alaska, the Department of State for an embassy project in Brazil and new awards for task orders in Iraq. Also contributing to the increase was revenue from Del-Jen which was acquired early in 2003. Government segment revenue in 2002 increased 17 percent over revenue for the year ended December 31, 2001. The revenue increase in 2002 primarily reflects higher activity levels on projects being executed for the Department of Energy ("DOE"). Revenue in all periods includes work for ongoing environmental restoration, engineering, construction, site operations and maintenance services at two major DOE sites: the Fernald Environmental Management Project in Ohio and the Hanford Environmental Management Project in Washington.

Operating profit margin for the Government segment declined to 2.8 percent in 2003 compared with 3.1 percent in 2002. Contributing to this decline was the impact of a particularly high level of proposal activity during the year as the segment pursued a number of new opportunities. The operating profit margin of 3.1 percent in 2002 compares with 2.7 percent in 2001. This improvement is attributable to improved project execution and realization of performance incentives on the DOE contracts, activity on the Midcourse Missile Defense test bed facilities in Alaska and increased logistical support activities internationally. In addition, good performance on the Fernald contract led to a re-baselining of the project, which favorably impacted operating profit in 2003 and the last half of 2002. Many projects performed on behalf of U.S. government

clients under multi-year contracts provide for annual funding. As a result, new awards for the Government segment reflect the annual award of work to be performed over the ensuing 12 months.

In January 2003, the company acquired Del-Jen, Inc. (“Del-Jen”), a leading provider of services to the Departments of Defense and Labor. The acquisition will expand the company’s ability to provide services in the government outsourcing market. Del-Jen was acquired for \$33.3 million in cash of which \$24 million was recognized as goodwill and \$3.2 million was recognized as intangible assets.

In November 2003, the company acquired the International Division of J.A. Jones Construction Company (“J.A. Jones”), which provides design-build and construction services to the U.S. Government. This acquisition will further expand the company’s portfolio of government business. The acquisition did not have a material impact on the company’s consolidated financial statements.

Total assets in the Government segment increased to \$475 million at December 31, 2003 compared with \$128 million at December 31, 2002. The increase is primarily attributable to the acquisition of Del-Jen with total assets of \$60.4 million at December 31, 2003. In addition, the segment has unbilled fees totaling \$39.3 million related to the Fernald project. The project has moved into the closeout stage and contract terms provide that a portion of the earned fees will not be billed until project completion in 2007. Deferred fees recognized in revenue in 2003 and 2002 were \$21.9 million and \$6.0 million, respectively. Also contributing to the increase in segment assets was a significant increase in accounts receivable and contract work in progress relating to work performed in the Middle East.

Global Services. The Global Services segment had revenues of \$1.1 billion for the year ended December 31, 2003, up 15 percent compared with the year ended December 31, 2002. Revenue for 2002 was 6 percent lower than revenue for the year ended December 31, 2001. The increase in revenue in 2003 is partially due to the acquisition of Plant Performance Services (“P2S”) at the end of the first quarter. The revenue decline in 2002 compared with 2001 primarily reflects the impact of increased selectivity to improve margins and depressed economic conditions resulting in lower operations and maintenance activity in the manufacturing sector.

Operating profit margin in the Global Services segment was 8.7 percent compared with 9.7 percent in 2002 and 4.9 percent in 2001. The reduced margin in 2003 is partially attributable to lower contribution from P2S and construction related services reflecting the lower volume in Power and Oil & Gas activities. The improvement in 2002 compared with the prior period is primarily attributable to the procurement services business which incurred substantial amounts of development and start-up expenses in 2001.

In March 2003, the company acquired five specialty operations and maintenance (“O&M”) business groups from Philip Services Corporation. The acquired businesses, which were named Plant Performance Services (“P2S”), will expand and strengthen the O&M services business component of the Global Services segment and complement the company’s core engineering, procurement and construction business. The business groups were acquired for \$21.2 million in cash which excluded working capital. During the period from the date of acquisition through December 31, 2003, approximately \$44 million of working capital has been provided to the business to fund operations. As of December 31, 2003, the allocation of the purchase price has not been finalized pending valuation of assets acquired through independent appraisals.

New awards in the Global Services segment for operations and maintenance projects were \$1.3 billion, an increase of 23 percent over 2002. This increase is primarily due to the contribution from P2S. The 17 percent decline in new awards in 2002 compared with 2001 is primarily attributable to increased selectivity and the depressed economic conditions in the manufacturing sector.

Backlog for the Global Services segment has been fairly stable at \$1.8 billion at December 31, 2003 compared with \$1.6 billion and \$1.9 billion as of December 31, 2002 and 2001, respectively. This relative stability is due in part to the multi-year nature of operations and maintenance contracts where consistent and efficient performance results in long-term client relationships. The equipment, temporary staffing and global sourcing and procurement operations do not report backlog due to the short turnaround between the receipt of new awards and the recognition of revenue. Accordingly, new awards and backlog for the segment relate to the operations and maintenance activities only.

Power. The Power segment experienced a significant decline in revenue to \$759 million for the year ended December 31, 2003, compared with \$2.2 billion in 2002 and \$2.5 billion in 2001. This decline is due to the substantial work-off of nearly all projects in backlog that were awarded in prior years. As mentioned previously, the segment has experienced a substantial reduction in new awards over the last two years as demand for new power generation has diminished following a strong cycle of power plant construction activity.

Operating profit margin in the Power segment was a very strong 10.2 percent for the year ended December 31, 2003, compared with 4.9 percent in 2002 and 3.0 percent in 2001. The strong performance in 2003 is attributable to highly successful execution resulting in early completion of projects. Projects in the Power segment are primarily bid and awarded on a fixed price basis. This method of contracting exposes the segment to the risk of cost overruns due to factors such as material cost and labor productivity variances or schedule delays.

On July 9, 2003, the company jointly announced with Duke Energy Corporation the decision to terminate the Duke/Fluor Daniel partnership (“D/FD”) as a result of the significant decline in the construction of new power plants. A joint plan among the partners is being developed to dissolve the business over the next two years. The dissolution is not expected to have a material impact on results of operations or financial position of the company. The company will continue to identify power generation opportunities and any prospective projects will be performed 100 percent by Fluor.

New awards in the Power segment were down substantially to \$485 million for the year ended December 31, 2003, compared with \$1.1 billion and \$3.6 billion in 2002 and 2001, respectively. The majority of new awards in 2003 will be executed by Fluor or ICA/Fluor Daniel. Backlog for the Power segment decreased to \$605 million at December 31, 2003 compared with \$841 million and \$2.3 billion at December 31, 2002 and 2001, respectively. Most of the projects awarded in prior years have now been completed or will be completed in 2004. New award activity for the near term future is expected to be modest as existing capacity is expected to meet anticipated demand.

Corporate. Corporate administrative and general expenses totaled \$141.5 million for the year ended December 31, 2003. This compares with \$160.1 million for the year ended December 31, 2002 and \$167.0 million for the year ended December 31, 2001. The improvement in 2003 compared with 2002 is primarily due to the absence of charges relating to the reevaluation of the company’s enterprise resource management (“ERM”) system, recognition of a provision for a guarantee obligation and a provision to recognize impairment related to an investment in The Beacon Group Energy Investment Fund, L.P. that were recognized in 2002. Partially offsetting these charges in 2002 was recognition of a gain relating to the demutualization of an insurance company in which the company had an investment.

During 2002 significant cost reductions were realized as a result of the company’s reevaluation of the scope of implementation and deployment of its ERM system (formerly known as Knowledge@Work). As part of this reevaluation effort the company altered the original ERM implementation plan and recognized a charge of \$13.0 million in 2002 for abandonment of certain system functionality and to adjust depreciation expense. This charge partially offset the impact of the cost reductions realized upon changing the implementation and deployment plan.

Stock based compensation expense in 2002 was \$25.3 million lower compared with 2001 primarily as a result of a significant increase in the trading price of the company’s common stock during the first half of 2001. The impact of changes in the stock price in 2003 and 2002 did not have a significant impact on stock-based compensation expense as exercises, retirements and conversions have reduced the number of stock price sensitive units outstanding.

During 2002 overhead cost reductions were realized as a result of the early retirement of two former senior executives at the end of 2001 and the elimination of the Business Services and Other segment. This segment included the company’s shared services operations. Shared services are grouped in corporate administrative and general expense for all periods presented.

Net interest income was \$3.2 million and \$6.4 million for the years ended December 31, 2003 and 2002, respectively, compared with net interest expense of \$0.9 for the year ended December 31, 2001. The reduction in net interest income in 2003 is the result of lower cash balances and increased short-term borrowings

compared with 2002. The increase in net interest income in 2002 compared with 2001 is primarily due to the elimination of short-term borrowings.

The effective tax rates on the company's continuing operations were 33.0 percent, 34.8 percent and 31.1 percent, for the years 2003, 2002 and 2001, respectively. The decrease in the tax rate in 2003 compared with 2002 is primarily due to the utilization of certain capital loss carryforwards coupled with reduced foreign losses without tax benefit. In addition, during 2003 the company had favorable tax return adjustments and settlements which were partially offset by an increase in valuation allowance to adjust net deferred tax assets to amounts that are more likely than not to be realized. The tax rate in 2001 compared with 2002 was lower due to the tax benefits from tax settlements and the utilization of foreign net operating loss carryforwards.

Matters in Dispute Resolution. During 2003, several matters on certain completed and in progress projects were in the dispute resolution process. The following discussion provides a background and current status of these matters:

Murrin Murrin

Disputes between Fluor Australia ("Fluor") and its client, Anaconda Nickel ("Anaconda"), over the Murrin Murrin Nickel Cobalt project located in Western Australia were partially resolved through arbitration during the third quarter of 2002. The first phase of the arbitration hearing was completed in May 2002 and a decision was rendered in September 2002 resulting in an award to Anaconda of A\$147 million (subsequently amended to A\$150 million [US\$84.0 million]) and an award to Fluor of A\$107 million [US\$59.9 million] for amounts owing from Anaconda under the contract. The company has recovered the first phase award plus substantially all defense costs incurred from available insurance.

On July 28, 2003, the Supreme Court of Victoria, Australia granted Anaconda's appeal of an issue that had been decided in favor of Fluor by the arbitration panel in the first phase. This decision sends the arbitration panel's denial of Anaconda's claim for the cost of a fifth autoclave train back to the panel for further reconsideration. Fluor has appealed the Supreme Court's decision to the State of Victoria Court of Appeal.

The second phase of the arbitration was heard in September 2003. A decision is expected in the third quarter of 2004. The company anticipates that any liability arising from proceedings under either the first or the second phase of arbitration, regardless of the outcome of the appeal, will be covered by available insurance.

Fluor Daniel International and Fluor Arabia Ltd. V. General Electric Company, et al U.S.D.C., Southern District Court, New York

In October 1998, Fluor Daniel International and Fluor Arabia Ltd. filed a complaint in the United States District Court for the Southern District of New York against General Electric Company and certain operating subsidiaries as well as Saudi American General Electric, a Saudi Arabian corporation. The complaint seeks damages in connection with the procurement, engineering and construction of the Rabigh Combined Cycle Power Plant in Saudi Arabia. Subsequent to a motion to compel arbitration of the matter the company initiated arbitration proceedings in New York under the American Arbitration Association international rules. The evidentiary phase of the arbitration has been concluded and a decision is expected in the second quarter of 2004.

Dearborn Industrial Project Duke/Fluor Daniel (D/FD)

The Dearborn Industrial Project (the "Project") started as a co-generation combined cycle power plant project in Dearborn, Michigan. The initial Turnkey Agreement, dated November 24, 1998, consisted of three phases. Commencing shortly after Notice to Proceed, the owner/operator, Dearborn Industrial Generation ("DIG"), issued substantial change orders enlarging the scope of the project.

The Project has been severely delayed with completion of Phase II. DIG has unilaterally taken over completion and operation of Phase II and is commissioning that portion of the plant. Shortly thereafter, DIG drew upon a \$30 million letter of credit which D/FD expects to recover upon resolution of the dispute. D/FD

retains lien rights (in fee) against the project. In October 2001, suit was commenced in Michigan State Court to foreclose on the lien interest.

In December 2001, DIG filed a responsive pleading denying liability and simultaneously served a demand for arbitration to D/FD claiming, among other things, that D/FD is liable to DIG for alleged construction delays and defective engineering and construction work at the Dearborn plant. The court has ordered the matter to arbitration. The lien action remains stayed pending completion of the arbitration of D/FD's claims against DIG and DIG's claims against D/FD. An arbitration panel has been appointed and the arbitration will likely proceed in early 2005.

Butinge Nafta Oil Terminal

On March 10, 2000, Butinge Nafta ("Nafta") commenced arbitration proceedings against Fluor Daniel Intercontinental ("FDI") concerning a bulk oil storage terminal (the "Facility") located in Lithuania alleging, among other issues, that FDI represented costs in excess of actual estimates. FDI engineered, procured and managed the construction of the Facility on a lump sum basis. On June 21, 2000, Fluor filed a separate arbitration against Nafta to recover delay/disruption damages caused by Nafta, as well as compensation for out of scope services. The first hearing on the merits of the case was conducted in late May 2001 with an additional hearing in June 2002. Final legal submissions and arguments were completed in September 2002. In June 2003, FDI was issued a favorable award on its claims and Nafta's major claims against FDI were dismissed with prejudice resulting in a net award to Fluor of \$4.6 million. The resolution of this matter did not have a material effect on results of operations.

Hamaca Crude Upgrader

See discussion regarding the Hamaca project above under Oil & Gas.

Strategic Reorganization Costs. In March 1999, the company reorganized its engineering and construction operations and recorded a special provision to cover direct and other reorganization related costs primarily for personnel, facilities and asset impairment adjustments. The plan was successfully implemented and carried out. As of December 31, 2003, the remaining unexpended reserve is \$1.5 million and relates to non-U.S. personnel costs that will be paid as follows: 2004 — \$0.8 million; 2005 — \$0.3 million; 2006 — \$0.2 million; 2007 — \$0.1 million; thereafter — \$0.1 million.

Discontinued Operations. In September 2001, the Board of Directors approved a plan to dispose of certain non-core operations of the company's construction equipment and non-EPC components of its temporary staffing businesses. An active program to consummate such disposal was initiated and is complete as of the end of 2003. Operating results for these non-core businesses have been reclassified and are reported as discontinued operations in the accompanying Consolidated Statement of Earnings.

During 2003 the last remaining dealership operation was sold generating proceeds of \$31.9 million. In 2002, the sale of one dealership subsidiary resulted in cash proceeds of \$45.9 million. Other dealership asset disposals during 2002 produced proceeds of \$51 million. In December 2001, the company sold one dealership entity for cash equal to its carrying value generating proceeds of \$25.7 million.

During the second quarter of 2002, the Australian operations of the temporary staffing operations of TRS were sold, resulting in cash proceeds of \$5.1 million. The temporary staffing industry experienced severe competition in 2002 due to depressed economic conditions, which resulted in significant erosion in the fair value of the TRS businesses that were sold. As a result, the company recognized adjustments to the carrying value of TRS's U.S. and U.K. based disposal groups. The sales of the U.S. and U.K. operations were completed in the fourth quarter of 2002 resulting in proceeds of \$2 million.

Disposal of AMECO operations in Argentina and Peru were finalized in 2002 resulting in proceeds of \$5.1 million primarily from collection of accounts receivable and sales of inventory and equipment.

Interest expense was not reclassified to discontinued operations in connection with the non-core businesses because disposal of these operations did not include any debt to be assumed by the buyers.

Revenue and the results of operations, including loss on disposal, for all discontinued operations are as follows:

	Year Ended December 31		
	2003	2002	2001
	(In thousands)		
Revenue			
Dealership operations	\$ 30,097	\$155,909	\$ 279,099
Other equipment operations.....	—	7,880	10,153
Temporary staffing operations	34	67,661	138,102
Total Revenue	<u>\$ 30,131</u>	<u>\$231,450</u>	<u>\$ 427,354</u>
Earnings (loss) from discontinued operations:			
Dealership operations	\$ 2,575	\$ 4,214	\$ 13,569
Other equipment operations.....	117	213	(1,787)
Temporary staffing operations	(404)	(4,036)	(9,898)
Earnings from discontinued operations before tax.....	2,288	391	1,884
Provision for taxes.....	<u>800</u>	<u>891</u>	<u>1,632</u>
Earnings (loss) from discontinued operations	<u>\$ 1,488</u>	<u>\$ (500)</u>	<u>\$ 252</u>
Loss on disposal before tax	\$ (7,386)	\$ (8,770)	\$(139,423)
Provision for taxes (tax benefit)	5,718	(2,909)	(30,815)
Loss on disposal	<u>\$(13,104)</u>	<u>\$ (5,861)</u>	<u>\$(108,608)</u>

The loss on disposal in all periods presented above is for impairment provisions to adjust the carrying value of the assets held for sale of the various individual non-core businesses to fair value. Impairment provisions for the equipment operations included adjustments to the carrying value of equipment inventories, fixed assets and goodwill. Impairment provisions for the temporary staffing operations primarily included adjustments to the carrying value of goodwill.

Financial Position and Liquidity

Cash used in operating activities in 2003 was primarily due to the significant use of cash to fund project operations. This compares to substantial cash provided by operating activities in 2002 and 2001. Significant cash was used in 2003 and 2002 to fund projects in the Power segment resulting in a reduction in advances from affiliate of \$212.8 million and \$282.1 million, respectively. These advances represent the company's proportional share of excess cash from Duke/Fluor Daniel that was generated from client advance payments received in 2001 and prior years upon award of projects. The joint venture partners manage excess cash of Duke/Fluor Daniel through these proportional advances. Client advances on Duke/Fluor Daniel projects is a normal condition of contracts in the power industry where most of the projects are negotiated on a fixed price basis. As these projects progress, the expenditures for labor and materials is partially funded from these advance payments. A substantial number of projects were completed in 2003 and 2002 and the advances used to fund these completed projects were not replaced with new advances due to the significant reduction in new awards in the Power segment. The work-off of projects in progress and the significant reduction in new power industry awards experienced in 2003 and 2002 is expected to continue in the near term future and will further reduce total advances available to the company.

The company also used significant cash in 2003 to fund on-going work and the change orders that are in the dispute resolution process relating to the Hamaca project in Venezuela. The company is incurring substantial costs relating to the change orders for which it is not currently being paid pending resolution through arbitration. As of December 31, 2003, the company has \$179.6 million in deferred costs on this project, of which \$124.6 million was funded during 2003. On-going work on Hamaca not associated with change orders used approximately \$80 million of cash from advances received in prior years. Excluding the impact of the repayment of advances relating to power projects and the funding for the Hamaca project, cash

was used to fund other changes in net operating assets and liabilities primarily associated with engineering and construction activities. Approximately \$44 million of working capital was provided to P2S which was acquired early in 2003. There was also a significant increase in operating assets and liabilities totaling approximately \$126 million relating to work in the Government segment primarily in connection with start-up activities on the CETAC and AFCAP projects in the Middle East as well as the Missile Defense work in Alaska. The projects in the Middle East required rapid deployment late in the fourth quarter of 2003 which resulted in substantial initial investment of working capital. In addition, early start-up activities and on-going progress on major Oil & Gas projects have also required investments in operating working capital. The levels of operating assets and liabilities vary from year to year and are affected by the mix, stage of completion and commercial terms of engineering and construction projects.

Cash used by operating activities is also impacted by contributions to the company's defined benefit retirement plans. Contributions in 2003 amounted to \$52 million compared with \$110 million and \$68 million in 2002 and 2001, respectively. The large contributions in 2002 and 2001 were due in part to lower than expected investment results on plan assets experienced in those and the two prior years coupled with the business objective to utilize available resources to maintain full funding of accumulated benefits in most of its plans. One plan is not fully funded and in 2003 the minimum pension liability amounts to \$28 million for this plan. The company recognized a minimum liability plus elimination of \$12 million of prepaid pension assets in 2002 resulting in an after-tax charge of \$29 million in the accumulated other comprehensive loss component of Shareholders' Equity.

During 2003 and 2002, the receipt of funds from insurance claims relating to the Murrin Murrin project amounted to \$84.1 million and \$35.4 million, respectively. As of December 31, 2003, amounts due from the insurance companies for claims submitted have been collected except for minor amounts of arbitration defense costs that are still in the payment process. Activities in 2002 associated with the disposal of certain discontinued equipment and temporary staffing businesses generated \$24 million of cash from liquidation of operating assets and liabilities, primarily from accounts receivable and inventories.

Cash utilized by investing activities in 2003 included capital expenditures of \$79.2 million for continuing operations and \$54.5 million for the acquisition of Del-Jen, P2S and J.A. Jones International which were partially offset by \$31.9 million in proceeds from the sale of the last discontinued equipment dealership operation. Cash provided by investing activities in 2002 was benefited by the sale and liquidation activities associated with discontinued operations. Sales of discontinued businesses generated \$101 million in proceeds from the liquidation of property, plant and equipment and sales of dealership and temporary staffing businesses. Partially offsetting these proceeds was capital expenditures of \$16 million primarily for the one remaining equipment dealership that was sold in 2003.

Capital expenditures for continuing operations primarily relate to the equipment operations in the Global Services segment that support engineering and construction projects. Capital expenditures were substantially lower in 2002 than in 2001 primarily as the result of substantial completion in 2001 of the SAP system component of the company's Enterprise Resource Management system. Capital expenditures in 2001 include expenditures for capital investments in construction equipment of \$60 million for continuing operations and \$52 million for discontinued operations. The decision to divest certain equipment operations substantially reduces the company's capital investment requirements. Capital expenditures in future periods will include equipment purchases for the equipment operations of the Global Services segment, facility renewal and refurbishment, and computer infrastructure in support of the company's substantial investment in automated systems.

As of December 31, 2003, primarily in response to a significant increase in funds required for project operations, the company borrowed \$121.5 million in the commercial paper market. The company can borrow up to \$300 million under unsecured committed revolving short- and long-term lines of credit with banks. These credit lines provide support for borrowings in the commercial paper market as needed for short-term liquidity to meet funding requirements for project operations. Liquidity is further provided by substantial customer advances on contracts in progress including the company's proportional share of excess cash that has been advanced to the company by Duke/Fluor Daniel as well as the commercial paper borrowings. As customer advances and advances from Duke/Fluor Daniel are used in project execution and not replaced by advances on new projects, the company's cash position will be reduced. Cash is also required and is being

provided to fund work performed on the Hamaca project in Venezuela. This project is incurring significant costs for work relating to change orders that are subject to arbitration proceedings. The requirements for operating liquidity could result in the need for additional short-term borrowings.

As of December 31, 2003, the company's outstanding debt consists of the above mentioned commercial paper and the 5.625 percent Municipal bonds totaling \$17.6 million. In addition, the company has debt associated with the lease financing on its facilities in Aliso Viejo and Calgary, as discussed above. The lease financing on the Aliso Viejo facility is due in December 2004 and is classified as a current liability as of December 31, 2003.

In February 2004, the company issued \$330 million of 1.5 percent Convertible Senior Notes due 2024. Proceeds from the Notes were used to pay off all outstanding commercial paper and obtain ownership of the Aliso Viejo engineering and corporate offices through payoff of the lease financing.

For the years ended December 31, 2003 and 2002, exchange rates for functional currencies for most of the company's international operations strengthened against the U.S. dollar resulting in unrealized translation gains that are reflected in the cumulative translation component of accumulated other comprehensive income (loss). Unrealized gains amounting to \$45.1 million and \$20.9 million in 2003 and 2002, respectively, relate to cash balances held in currencies other than the U.S. dollar. Because most of the cash held in foreign currencies will be used for project related expenditures in those currencies, the company's exposure to exchange gains and losses is considered nominal.

The company has a common stock buyback program, authorized by the Board of Directors, to purchase shares under certain market conditions. During 2003, the company purchased 94,000 shares for total consideration of \$2.7 million. The company purchased 726,000 and 39,000 shares of its common stock for total consideration of \$19.2 million and \$1.4 million in 2002 and 2001, respectively.

Cash dividends declared and paid in 2003, 2002 and 2001 were at the rate of \$0.64 per share. The payment and level of future cash dividends will be subject to the discretion of the company's Board of Directors.

The company has sufficient sources of funds to meet its anticipated operating needs. Cash on hand and short- and long-term lines of credit give the company significant operating liquidity. For the next 12 months, cash generated from operations supplemented by borrowings under credit facilities and the issuance of debt securities are expected to be sufficient to fund operations.

Off-Balance Sheet Arrangements. The company maintains a variety of commercial commitments that are generally made available to provide support for various commercial provisions in its engineering and construction contracts. The company has \$731 million in committed and uncommitted lines of credit to support letters of credit. In addition, the company has \$120 million in uncommitted lines for general cash management purposes. Letters of credit are provided to clients in the ordinary course of business in lieu of retention or for performance and completion guarantees on engineering and construction contracts. At December 31, 2003, the company had utilized \$355 million of its letter of credit capacity. The company also posts surety bonds primarily on state and local government projects to guarantee its performance on contracts.

Contractual obligations at December 31, 2003 are summarized as follows:

	<u>Total</u>	Payments Due By Period			
		<u>Under 1 year</u>	<u>1-3 years</u>	<u>4-5 years</u>	<u>Over 5 Years</u>
		\$ in millions			
Long-term Debt:					
5.625% Municipal Bonds	\$ 18	\$ —	\$ —	\$ —	\$ 18
Facilities financing ⁽¹⁾	127	100	27	—	—
Operating leases ⁽²⁾	271	31	49	32	159
Compensation related obligations	271	31	65	83	92
Pollution control bonds.....	<u>10</u>	<u>2</u>	<u>5</u>	<u>3</u>	<u>—</u>
Total	<u>\$697</u>	<u>\$164</u>	<u>\$146</u>	<u>\$118</u>	<u>\$269</u>

⁽¹⁾ Facilities in Aliso Viejo and Calgary are financed under capital leases and contain residual value guarantees totaling \$105 million.

⁽²⁾ Operating leases are primarily for engineering and project execution office facilities in Sugar Land, Texas.

Guarantees. In the ordinary course of business, the company enters into various agreements providing financial or performance assurances to clients on behalf of certain unconsolidated subsidiaries, joint ventures and other jointly executed contracts. These agreements are entered into primarily to support the project execution commitments of these entities. The guarantees have various expiration dates ranging from mechanical completion of the facilities being constructed to a period extending beyond contract completion in certain circumstances. The maximum potential payment amount of an outstanding performance guarantee is the remaining cost of work to be performed by or on behalf of third parties under engineering and construction contracts. The amount of guarantees outstanding measured on this basis totals \$2.8 billion as of December 31, 2003. Amounts that may be required to be paid in excess of estimated costs to complete contracts in progress are not estimable. For cost reimbursable contracts amounts that may become payable pursuant to guarantee provisions are normally recoverable from the client for work performed under the contract. For lump sum or fixed price contracts, the amount payable under a guarantee is the cost to complete the contracted work less amounts remaining to be billed to the client under the contract. Remaining billable amounts could be greater or less than the cost to complete. In those cases where costs exceed the remaining amounts payable under the contract the company may have recourse to third parties, such as owners, co-venturers, subcontractors or vendors for claims.

Financial guarantees, made in the ordinary course of business on behalf of clients and others in certain limited circumstances, are entered into with financial institutions and other credit grantors and generally obligate the company to make payment in the event of a default by the borrower. Most arrangements require the borrower to pledge collateral in the form of property, plant and equipment which is deemed adequate to recover amounts the company might be required to pay. As of December 31, 2003, the company had extended financial guarantees on behalf of certain clients and other unrelated third parties totaling approximately \$8 million. The remaining outstanding amount of a financial guarantee for \$10 million of pollution control bonds related to zinc operations that were sold in 1987 has been recognized at the full amount of the underlying obligation. The obligation was recognized by a charge to earnings in 2002 due to the obligor's bankruptcy filing and inability to meet the current obligation on the bonds without financial assistance from the company.

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

Item 7A. Quantitative and Qualitative Discussions about Market Risk

The company invests excess cash in short-term securities that carry a floating money market rate of return. Debt instruments carry a fixed rate coupon on the \$17.6 million in long-term debt. The company does not currently use derivatives, such as swaps, to alter the interest characteristics of its short-term securities or

its debt instruments. The company's exposure to interest rate risk on its long-term debt is not material. The company utilizes forward exchange contracts to hedge foreign currency transactions entered into in the ordinary course of business and does not engage in currency speculation. At December 31, 2003, the company had forward foreign exchange contracts of less than eighteen months duration, to exchange major world currencies for U.S. dollars. The total gross notional amount of these contracts at December 31, 2003 was \$53 million.

In 2001, the company issued a warrant for the purchase of 460,000 shares, at \$36.06 per share, of the company's common stock to a partner in the company's e-commerce procurement venture. Any compensation realized by the holder through exercise of the warrant will offset royalties otherwise payable under a five-year cooperation and services agreement.

Item 8. Financial Statements and Supplementary Data

The information required by this Item is submitted as a separate section of this Form 10-K. See Item 15, below.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

There have been no changes in, or disagreements with, accountants on accounting and financial disclosure.

Item 9A. Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to our management including our chief executive officer and chief financial officer, as appropriate, to allow for timely decisions regarding required disclosure. Under the supervision and with the participation of our management, including our chief executive officer and chief financial officer, we conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15 and 15d-15 under the Securities Exchange Act of 1934, as of the end of the period covered by this report (the "Evaluation Date"). To maintain a cost-effective controls structure, management necessarily applied its judgment in assessing the costs and benefits of such controls and procedures, which, by their nature, can only provide reasonable assurance that our management's control objectives are met. In addition, the design of any system of control is based upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all future events, no matter how remote.

Based on this evaluation, our chief executive officer and chief financial officer concluded as of the Evaluation Date that our disclosure controls and procedures were effective in timely alerting them to material information relating to the company required to be included in our periodic SEC reports.

There were no significant changes in our internal controls or in other factors that could significantly affect these controls subsequent to the Evaluation Date. We have not identified any significant deficiencies or material weaknesses in our internal controls, and therefore there were no corrective actions taken.

PART III

Item 10. Directors and Executive Officers of the Registrant

The information required by paragraph (a), and paragraphs (c) through (h) of Item 401 of Regulation S-K (except for information required by paragraph (b) and (e) of Item 401 to the extent the required information pertains to our executive officers, which is set forth below) is hereby incorporated by reference from our definitive proxy statement for our 2004 annual meeting which will be filed with the Securities and Exchange Commission (the "Commission"). Disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is incorporated by reference from the information contained in the section entitled "Section 16(a) Beneficial Ownership Reporting Compliance" in the Corporate Governance portion of our Proxy Statement.

Executive Officers of the Registrant

Pursuant to the requirements of Item 401(b) and 401(e) of Regulation S-K, the following information is being furnished with respect to the company's executive officers:

<u>Name</u>	<u>Age</u>	<u>Position with the Company⁽¹⁾</u>
Alan L. Boeckmann	55	Chairman and Chief Executive Officer
Stephen B. Dobbs.....	47	Group President, Infrastructure
Jeffery L. Faulk	53	Group President, Oil, Gas & Power
Lawrence N. Fisher	60	Chief Legal Officer and Secretary
H. Steven Gilbert	56	Senior Vice President, Human Resources and Administration
Kirk D. Grimes	46	Group President, Global Services
John L. Hopkins	49	Group President, Government
Robert A. McNamara	49	Group President, Industrial
D. Michael Steuert.....	55	Senior Vice President and Chief Financial Officer
Mark A. Stevens.....	51	Group Executive, Commercial Strategy & Risk

⁽¹⁾ Except where otherwise indicated, all references are to positions held with Fluor Corporation or one of its subsidiaries. All of the officers listed in the preceding table serve in their respective capacities at the pleasure of the Board of Directors.

Alan L. Boeckmann

Chairman and Chief Executive Officer, since February 2002; member of the Board since 2000; formerly, Chief Operating Officer from 2000; President and Chief Executive Officer, Fluor Daniel, from 1999; joined the company in 1979 with previous service from 1974 to 1977.

Stephen B. Dobbs

Group President, Infrastructure, since October 2003; President, Infrastructure from 2002; President, Transportation, from 2001; formerly Vice President, Sales, Infrastructure from 1999; formerly Division Manager, Infrastructure from 1998; joined the company in 1980.

Jeffery L. Faulk

Group President, Oil, Gas & Power, since October 2003; formerly President and Chief Executive Officer of Duke/Fluor Daniel from 2001; formerly Senior Vice President Operations, Energy & Chemicals and Vice President Operations, Oil & Gas since 1996; joined the company in 1973.

Lawrence N. Fisher

Chief Legal Officer and Secretary since 1996; joined the company in 1974.

H. Steven Gilbert

Senior Vice President, Human Resources and Administration since February 2002; formerly, Senior Vice President, Business and Work Process Integration from 1999; joined the company in 1970.

Kirk D. Grimes

Group President, Global Services since October 2003; formerly, Group Executive, Oil & Gas from 2001; formerly President, Telecommunications from 1998; joined the company in 1980.

John L. Hopkins

Group President, Government since October 2003; formerly, Group Executive, Sales, Marketing and Strategic Planning from 2002; formerly Group Executive, Fluor Global Services from September 2001; formerly President and Chief Executive Officer, TradeMC, a developer and promoter of supplier networks for the procurement of capital goods from March 2000; Group President, Sales & Marketing from 1988; joined the company in 1984 as a result of the company's acquisition of Strategic Organizational Systems, Inc.

Robert A. McNamara

Group President, Industrial, since October 2003; formerly, Group Executive, Industrial & Infrastructure from 2002; formerly, Group Executive, Industrial since 2001; formerly, President, Manufacturing and Life Sciences from 1998; President, ADP Marshall, Inc., a construction subsidiary of the company which was acquired by the company in 1996, which he originally joined in 1978.

D. Michael Steuert

Senior Vice President and Chief Financial Officer since May 2001; formerly Senior Vice President and Chief Financial Officer, Litton Industries Inc, a major defense contractor from 1999 to 2001, and Senior Vice President and Chief Financial Officer, GenCorp Inc., a technology-based manufacturing company from 1994 to 1999; joined the company in May 2001.

Mark A. Stevens

Group Executive, Commercial Strategy & Risk since October, 2003; formerly Group Executive, Global Services from 2002; formerly Senior Executive, Sales, Marketing & Strategic Planning from 2001; formerly, President, Energy & Chemicals from 1997; joined the company in 1975.

Code of Ethics

We have long maintained and enforced a "Code of Business Ethics" which applies to all Fluor officers and employees, including our chief executive officer, chief financial officer, and principal accounting officer and controller. A copy of our Code of Business Ethics has been filed as an exhibit to this Form 10-K and has been posted on the investor relations portion of our website, at www.fluor.com. We have disclosed and continue to intend to disclose any changes or amendments to our code of ethics or waivers from our code of ethics applicable to our chief executive officer, chief financial officer, and principal accounting officer or controller by posting such changes or waivers to our website.

Item 11. Executive Compensation

Information required by this item is included in the Organization and Compensation Committee Report on Executive Compensation and Executive Compensation and Other Information sections of our Proxy Statement to be filed with the Commission pursuant to Regulation 14A within 120 days following the close of our fiscal year, which information is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Information required by this item is included in the Stock Ownership and Stock-Based Holdings of Executive Officers and Directors and Executive Compensation and Other Information sections of our Proxy Statement to be filed with the Commission pursuant to Regulation 14A within 120 days following the close of our fiscal year, which information is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions

Information required by this item is included in the Other Matters section of the Corporate Governance portion of our Proxy Statement to be filed with the Commission pursuant to Regulation 14A within 120 days following the close of our fiscal year, which information is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services

Information required by this item is included in the Ratification of Appointment of Auditors section of our Proxy Statement to be filed with the Commission pursuant to Regulation 14A within 120 days following the close of our fiscal year, which information is incorporated herein by reference.

PART IV

Item 15. Exhibits, Financial Statement Schedules and Reports on Form 8-K

(a) Documents filed as part of this report:

1. Financial Statements:

Our consolidated financial statements at December 31, 2003 and December 31, 2002 and for each of the three years in the period ended December 31, 2003 and the notes thereto, together with the report of the independent auditors on those consolidated financial statements are hereby filed as part of this Report, beginning on page F-1.

2. Financial Statement Schedules:

No financial statement schedules are presented since the required information is not present or not present in amounts sufficient to require submission of the schedule, or because the information required is included in the consolidated financial statements and notes thereto.

3. Exhibits:

<u>Exhibit</u>	<u>Description</u>
3.1	Amended and Restated Certificate of Incorporation of the registrant ⁽¹⁾
3.2	Amended and Restated Bylaws of the registrant*
4.1	Indenture between Fluor Corporation and Bank of New York, as trustee dated as of February 17, 2004 ⁽⁸⁾
10.1	Distribution Agreement between the registrant and Fluor Corporation (renamed Massey Energy Company) ⁽²⁾
10.2	Tax Sharing Agreement between the Fluor Corporation and A.T. Massey Coal Company, Inc. ⁽³⁾
10.3	Special Retention Program, dated March 7, 2000, between Fluor Corporation and Alan L. Boeckmann ⁽¹⁾
10.4	Special Retention Program, dated September 12, 2000, between Fluor Corporation and Mark A. Stevens ⁽⁷⁾
10.5	Fluor Corporation 2000 Executive Performance Incentive Plan ⁽⁴⁾
10.6	Fluor Corporation 2000 Restricted Stock Plan for Non-Employee Directors ⁽⁵⁾
10.7	Fluor Corporation Executive Deferred Compensation Plan, as amended and restated effective January 1, 2002 ⁽⁶⁾
10.8	Fluor Corporation Deferred Directors' Fees Program, as amended and restated effective January 1, 2002 ⁽⁷⁾
10.9	Directors' Life Insurance Summary ⁽¹⁾
10.10	Fluor Executives' Supplemental Benefit Plan ⁽¹⁾
10.11	Fluor Corporation Retirement Plan for Outside Directors ⁽¹⁾
10.12	Executive Severance Plan*
10.13	2001 Key Employee Performance Incentive Plan ⁽⁶⁾
10.14	2001 Fluor Stock Appreciation Rights Plan ⁽⁶⁾
10.15	Fluor Corporation 2003 Executive Performance Incentive Plan ⁽⁷⁾
10.16	Code of Ethics and Business Conduct, as amended and restated*
10.17	Offer of Employment Letter dated May 7, 2001 from Fluor Corporation to D. Michael Steuert*
21	Subsidiaries of the registrant*

<u>Exhibit</u>	<u>Description</u>
23	Consent of Independent Auditors*
31.1	Certification of Chief Executive Officer of Fluor Corporation pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934
31.2	Certification of Chief Financial Officer of Fluor Corporation pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934
32	Certification of Chief Executive Officer and Chief Financial Officer of Fluor Corporation pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 *

* New exhibit filed with this report.

- (1) Filed as the same numbered exhibit to the Registrant's Registration Statement on Form 10/A (Amendment No. 1) filed on November 22, 2000 and incorporated herein by reference.
- (2) Filed as Exhibit 10.1 to the Registrant's report on Form 8-K filed on December 7, 2000 and incorporated herein by reference.
- (3) Filed as Exhibit 10.2 to the Registrant's report on Form 8-K filed on December 7, 2000 and incorporated herein by reference.
- (4) Filed as Exhibit 10.1 to the Registrant's report on Form 8-K filed on December 29, 2000 and incorporated herein by reference.
- (5) Filed as Exhibit 10.2 to the Registrant's report on Form 8-K filed on December 29, 2000 and incorporated herein by reference.
- (6) Filed as an exhibit to the Registrant's report on Form 10-K filed on March 21, 2002 and incorporated herein by reference.
- (7) Filed as an exhibit to the Registrant's report on Form 10-K filed on March 31, 2003 and incorporated herein by reference.
- (8) Filed as an exhibit to the Registrant's report on Form 8-K filed on February 17, 2004 and incorporated herein by reference.

(b) Reports on Form 8-K:

On October 3, 2003, we filed a current report on form 8-K to report a temporary suspension of trading under our Employee Benefit Plans, furnished under Items 7 and 11.

On October 29, 2003, we filed a current report on form 8-K to file our press release dated October 28, 2003 and announcing financial information and results for the quarter ended September 30, 2003, furnished under Items 7 and 9 (pursuant to Item 12).

On December 3, 2003, we filed a current report on form 8-K to report a temporary suspension of trading under our Employee Benefit Plans, furnished under Items 7 and 11.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

FLUOR CORPORATION

By: /s/ D. MICHAEL STEUERT

D. Michael Steuert,
Senior Vice President
and Chief Financial Officer

March 15, 2004

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
Principal Executive Officer and Director:		
<u>/s/ ALAN L. BOECKMANN</u> Alan L. Boeckmann	Chairman of the Board and Chief Executive Officer	March 15, 2004
Principal Financial Officer:		
<u>/s/ D. MICHAEL STEUERT</u> D. Michael Steuert	Senior Vice President and Chief Financial Officer	March 15, 2004
Principal Accounting Officer:		
<u>/s/ VICTOR L. PRECHTL</u> Victor L. Prechtl	Vice President and Controller	March 15, 2004
Other Directors:		
<u>/s/ PETER J. FLUOR</u> Peter J. Fluor	Director	March 15, 2004
<u>/s/ DAVID P. GARDNER</u> David P. Gardner	Director	March 15, 2004
<u>/s/ JAMES T. HACKETT</u> James T. Hackett	Director	March 15, 2004
<u>/s/ KENT KRESA</u> Kent Kresa	Director	March 15, 2004

<u>Signature</u>	<u>Title</u>	<u>Date</u>
/s/ <u>VILMA S. MARTINEZ</u> Vilma S. Martinez	Director	March 15, 2004
/s/ <u>DEAN R. O'HARE</u> Dean R. O'Hare	Director	March 15, 2004
/s/ <u>JOSEPH W. PRUEHER</u> Joseph W. Prueher	Director	March 15, 2004
/s/ <u>ROBIN RENWICK</u> Lord Robin Renwick, K.C.M.G.	Director	March 15, 2004
/s/ <u>MARTHA R. SEGER</u> Martha R. Seger	Director	March 15, 2004
/s/ <u>SUZANNE H. WOOLSEY</u> Suzanne H. Woolsey	Director	March 15, 2004

FLUOR CORPORATION
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FLUOR CORPORATION
CONSOLIDATED STATEMENT OF EARNINGS

	Year Ended December 31		
	2003	2002	2001
	(In thousands, except per share amounts)		
TOTAL REVENUES	\$8,805,703	\$9,958,956	\$8,972,161
TOTAL COST OF REVENUES	8,399,477	9,544,785	8,618,972
OTHER (INCOME) AND EXPENSES			
Corporate administrative and general expense	141,465	160,097	166,961
Interest expense	10,109	8,925	25,011
Interest income	<u>(13,329)</u>	<u>(15,375)</u>	<u>(24,103)</u>
Total cost and expenses	<u>8,537,722</u>	<u>9,698,432</u>	<u>8,786,841</u>
EARNINGS FROM CONTINUING OPERATIONS BEFORE TAXES	267,981	260,524	185,320
INCOME TAX EXPENSE	<u>88,526</u>	<u>90,548</u>	<u>57,554</u>
EARNINGS FROM CONTINUING OPERATIONS	179,455	169,976	127,766
EARNINGS (LOSS) FROM DISCONTINUED OPERATIONS, NET OF TAXES	1,488	(500)	252
LOSS ON DISPOSAL, NET OF TAXES	(13,104)	(5,861)	(108,608)
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	<u>(10,389)</u>	<u>—</u>	<u>—</u>
NET EARNINGS	<u>\$ 157,450</u>	<u>\$ 163,615</u>	<u>\$ 19,410</u>
BASIC EARNINGS (LOSS) PER SHARE			
Continuing operations	\$ 2.25	\$ 2.14	\$ 1.64
Discontinued operations	(0.15)	(0.08)	(1.39)
Cumulative effect of change in accounting principle	<u>(0.13)</u>	<u>—</u>	<u>—</u>
Net earnings	<u>\$ 1.97</u>	<u>\$ 2.06</u>	<u>\$ 0.25</u>
DILUTED EARNINGS (LOSS) PER SHARE			
Continuing operations	\$ 2.23	\$ 2.13	1.61
Discontinued operations	(0.15)	(0.08)	(1.36)
Cumulative effect of change in accounting principle	<u>(0.13)</u>	<u>—</u>	<u>—</u>
Net earnings	<u>\$ 1.95</u>	<u>\$ 2.05</u>	<u>\$ 0.25</u>
SHARES USED TO CALCULATE EARNINGS PER SHARE			
Basic	79,796	79,344	77,801
Diluted	80,539	79,853	79,157

See Notes to Consolidated Financial Statements.

FLUOR CORPORATION
CONSOLIDATED BALANCE SHEET

	December 31, 2003	December 31, 2002
	(In thousands, except share amounts)	
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 496,502	\$ 753,367
Accounts and notes receivable	636,162	503,399
Contract work in progress	827,091	432,616
Deferred taxes	118,550	128,558
Other current assets	135,339	106,152
Total current assets	<u>2,213,644</u>	<u>1,924,092</u>
ASSETS OF DISCONTINUED OPERATIONS	—	49,694
PROPERTY, PLANT AND EQUIPMENT		
Land	62,143	43,523
Buildings and improvements	271,045	158,422
Machinery and equipment	602,454	581,218
Construction in progress	2,061	2,721
	<u>937,703</u>	<u>785,884</u>
Less accumulated depreciation	368,223	318,864
Net property, plant and equipment	<u>569,480</u>	<u>467,020</u>
OTHER ASSETS		
Goodwill	54,157	21,247
Investments	98,206	125,610
Deferred taxes	66,051	113,514
Pension assets	173,613	167,256
Other	274,331	273,718
Total other assets	<u>666,358</u>	<u>701,345</u>
	<u>\$3,449,482</u>	<u>\$3,142,151</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Trade accounts payable	\$ 571,535	\$ 452,613
Short-term debt	221,469	—
Advances from affiliate	44,548	257,330
Advance billings on contracts	489,057	524,661
Accrued salaries, wages and benefits	306,786	320,280
Other accrued liabilities	195,743	201,287
Total current liabilities	<u>1,829,138</u>	<u>1,756,171</u>
LIABILITIES OF DISCONTINUED OPERATIONS	—	23,420
LONG-TERM DEBT DUE AFTER ONE YEAR	44,652	17,613
NONCURRENT LIABILITIES	494,158	461,080
CONTINGENCIES AND COMMITMENTS		
SHAREHOLDERS' EQUITY		
Capital stock		
Preferred — authorized 20,000,000 shares without par value, none issued	—	—
Common — authorized 150,000,000 shares (\$0.01 par value); issued and outstanding — 82,102,029 and 80,188,322 shares, respectively	821	802
Additional capital	415,078	357,432
Unamortized executive stock plan expense	(24,412)	(18,603)
Accumulated other comprehensive loss	(35,335)	(75,983)
Retained earnings	725,382	620,219
Total shareholders' equity	<u>1,081,534</u>	<u>883,867</u>
	<u>\$3,449,482</u>	<u>\$3,142,151</u>

See Notes to Consolidated Financial Statements.

FLUOR CORPORATION
CONSOLIDATED STATEMENT OF CASH FLOWS

	Year Ended December 31		
	2003	2002	2001
	(in thousands)		
CASH FLOWS FROM OPERATING ACTIVITIES			
Net earnings	\$157,450	\$163,615	\$ 19,410
Adjustments to reconcile net earnings to cash provided by (used in) operating activities:			
Depreciation and amortization:			
Continuing operations	79,676	77,989	71,911
Discontinued operations	—	—	45,268
Cumulative effect of change in accounting principle, net	10,389	—	—
Deferred taxes	48,284	45,357	(17,128)
Retirement plan contribution in excess of accrual	(620)	(79,500)	(48,312)
Unbilled fees receivable	(21,940)	(5,999)	(10,382)
Special provision, net of cash payments	—	(1,558)	(7,054)
Provisions for impairment of assets	14,817	31,145	139,423
Changes in operating assets and liabilities, excluding effects of business acquisitions/dispositions	(672,822)	(23,562)	444,870
Insurance proceeds	84,055	35,411	—
Equity in earnings of investees	(114)	(13,186)	(14,910)
Other, net	287	(33,967)	(1,328)
Cash provided by (used in) operating activities	<u>(300,538)</u>	<u>195,745</u>	<u>621,768</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures:			
Continuing operations	(79,183)	(63,014)	(148,426)
Discontinued operations	(2,583)	(15,960)	(52,489)
Acquisitions, net	(54,531)	—	—
Investments, net	(13,895)	21,944	27,960
Proceeds from disposal of property, plant and equipment	26,065	63,041	51,930
Proceeds from sale of subsidiaries	31,926	50,955	25,696
Other, net	1,046	2,385	1,260
Cash provided (utilized) by investing activities	<u>(91,155)</u>	<u>59,351</u>	<u>(94,069)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash dividends paid	(52,287)	(51,485)	(50,913)
Increase (decrease) in short-term borrowings, net	121,469	(38,175)	(188,636)
Proceeds from sale/leaseback transaction	—	—	127,000
Stock options exercised	28,502	14,851	144,577
Purchases of common stock	(2,691)	(19,199)	(1,404)
Other, net	(5,220)	(1,237)	(479)
Cash provided (utilized) by financing activities	<u>89,773</u>	<u>(95,245)</u>	<u>30,145</u>
Effect of exchange rate changes on cash	45,055	20,862	(7,040)
Increase (decrease) in cash and cash equivalents	(256,865)	180,713	550,804
Cash and cash equivalents at beginning of period	753,367	572,654	21,850
Cash and cash equivalents at end of period	<u>\$496,502</u>	<u>\$753,367</u>	<u>\$572,654</u>

See Notes to Consolidated Financial Statements.

FLUOR CORPORATION
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

	<u>Shares</u>	<u>Amount</u>	<u>Additional Capital</u>	<u>Unamortized Executive Stock Plan Expense</u>	<u>Accumulated Other Comprehensive Income (Loss)</u>	<u>Retained Earnings</u>	<u>Total</u>
(In thousands, except per share amounts)							
BALANCE AT DECEMBER 31, 2000 ..	74,609	\$746	\$167,869	\$(32,411)	\$(42,719)	\$539,592	\$ 633,077
Comprehensive income							
Net earnings	—	—	—	—	—	19,410	19,410
Foreign currency translation adjustment (net of deferred taxes of \$5,126)	—	—	—	—	(7,086)	—	(7,086)
Comprehensive income							12,324
Cash dividends (\$0.64 per share)	—	—	—	—	—	(50,913)	(50,913)
Exercise of stock options, net	5,565	55	144,522	—	—	—	144,577
Stock option tax benefit.....	—	—	35,170	—	—	—	35,170
Issuance of warrant	—	—	6,380	—	—	—	6,380
Amortization of executive stock plan expense	—	—	—	9,308	—	—	9,308
Purchases of common stock	(39)	—	(1,404)	—	—	—	(1,404)
Repurchase of restricted stock, net	(28)	—	423	324	—	—	747
BALANCE AT DECEMBER 31, 2001 ..	80,107	801	352,960	(22,779)	(49,805)	508,089	789,266
Comprehensive income							
Net earnings	—	—	—	—	—	163,615	163,615
Foreign currency translation adjustment (net of deferred taxes of \$1,623)	—	—	—	—	2,538	—	2,538
Pension plan adjustment	—	—	—	—	(28,716)	—	(28,716)
Comprehensive income							137,437
Cash dividends (\$0.64 per share)	—	—	—	—	—	(51,485)	(51,485)
Exercise of stock options, net	618	6	14,845	—	—	—	14,851
Stock option tax benefit.....	—	—	2,799	—	—	—	2,799
Amortization of executive stock plan expense	—	—	—	10,433	—	—	10,433
Purchases of common stock	(726)	(7)	(19,192)	—	—	—	(19,199)
Repurchase of restricted stock, net	—	—	(1,237)	1,002	—	—	(235)
Issuance of restricted stock, net	189	2	7,257	(7,259)	—	—	—
BALANCE AT DECEMBER 31, 2002 ..	80,188	802	357,432	(18,603)	(75,983)	620,219	883,867
Comprehensive income							
Net earnings	—	—	—	—	—	157,450	157,450
Foreign currency translation adjustment (net of deferred taxes of \$24,711) ...	—	—	—	—	38,650	—	38,650
Pension plan adjustment	—	—	—	—	1,998	—	1,998
Comprehensive income							198,098
Cash dividends (\$0.64 per share)	—	—	—	—	—	(52,287)	(52,287)
Exercise of stock options, net	1,101	12	28,490	—	—	—	28,502
Stock option tax benefit.....	—	—	3,652	—	—	—	3,652
Amortization of executive stock plan expense	—	—	—	12,526	—	—	12,526
Purchases of common stock	(94)	(1)	(2,690)	—	—	—	(2,691)
Repurchase of restricted stock, net	—	(2)	(5,218)	1,504	—	—	(3,716)
Conversion of restricted stock units.....	—	—	2,387	11,196	—	—	13,583
Issuance of restricted stock, net	907	10	31,025	(31,035)	—	—	—
BALANCE AT DECEMBER 31, 2003 ..	82,102	\$821	\$415,078	\$(24,412)	\$(35,335)	\$725,382	\$1,081,534

See Notes to Consolidated Financial Statements.

FLUOR CORPORATION
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. Certain contracts are executed jointly through partnerships and joint ventures with unrelated third parties. The company recognizes its proportional share of venture revenues, costs and operating profits in its consolidated statement of earnings and generally uses the one-line equity method of accounting in the consolidated balance sheet. The company evaluates the applicability of Financial Accounting Standards Board Interpretation No. 46 (Revised), "Consolidation of Variable Interest Entities" (FIN 46-R) (see Lease Obligations) to partnerships and joint ventures at the inception of its participation to ensure its accounting is in accordance with the appropriate standards.

As more fully described in the following Note, in September 2001, the company adopted a plan to dispose of certain non-core operations. As a result, certain non-core operations are presented as discontinued operations. All significant intercompany transactions of consolidated subsidiaries are eliminated. Certain amounts in 2001 and 2002 have been reclassified to conform with the 2003 presentation.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect reported amounts. These estimates are based on information available as of the date of the financial statements. Therefore, actual results could differ from those estimates.

Engineering and Construction Contracts

The company recognizes engineering and construction contract revenues using the percentage-of-completion method, based primarily on contract costs incurred to date compared with total estimated contract costs. Customer-furnished materials, labor and equipment, and in certain cases subcontractor materials, labor and equipment, are included in revenues and cost of revenues when management believes that the company is responsible for the ultimate acceptability of the project. Contracts are segmented between types of services, such as engineering and construction, and accordingly, gross margin related to each activity is recognized as those separate services are rendered. Changes to total estimated contract costs or losses, if any, are recognized in the period in which they are determined. Revenues recognized in excess of amounts billed are classified as current assets under contract work in progress. Amounts billed to clients in excess of revenues recognized to date are classified as current liabilities under advance billings on contracts. The company anticipates that substantially all incurred costs associated with contract work in progress at December 31, 2003 will be billed and collected in 2004. The company recognizes certain significant claims for recovery of incurred costs when it is probable that the claim will result in additional contract revenue and when the amount of the claim can be reliably estimated. Unapproved change orders are accounted for in revenue and cost when it is probable that the costs will be recovered through a change in the contract price. In circumstances where recovery is considered probable but the revenues cannot be reliably estimated, costs attributable to change orders are deferred pending determination of contract price.

Depreciation and Amortization

Additions to property, plant and equipment are recorded at cost. Assets are depreciated principally using the straight-line method over the following estimated useful lives: buildings and improvements — six to 50 years and machinery and equipment — one to 10 years. Leasehold improvements are amortized over the lives of the respective leases.

FLUOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

In June 2001, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 142, "Goodwill and Other Intangible Assets" (SFAS 142) effective for the company's calendar year 2002. Under SFAS 142, goodwill is no longer amortized but is subject to annual impairment tests. For purposes of impairment testing, goodwill is allocated to the applicable reporting units based on the current reporting structure. During 2003, the company completed its annual goodwill impairment tests in the first quarter and has determined that none of the goodwill is impaired. Application of the non-amortization provisions resulted in an increase in earnings from continuing operations of \$3.4 million (\$0.04 per diluted share) in 2003 and 2002 compared with 2001.

Income Taxes

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

Earnings Per Share

Basic earnings per share (EPS) is calculated by dividing earnings from continuing operations, loss from discontinued operations, cumulative effect of change in accounting principle and net earnings by the weighted average number of common shares outstanding for the period. Diluted EPS reflects the assumed conversion of all dilutive securities, consisting of employee stock options and restricted stock, equity forward contracts, and a warrant for the purchase of 460,000 shares.

For the period ended December 31, 2003, options to purchase 887,381 shares of common stock and 17,403 shares of unvested restricted stock were not included in the computation of diluted earnings per share because these securities are antidilutive. Antidilutive options and unvested restricted stock not included in the computation of diluted earnings per share for the period ended December 31, 2002 were 4,430,865 and 763,922, respectively, and 906,925 and 12,300, respectively for the period ended December 31, 2001.

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

<u>Period Ended</u>	Year Ended December 31		
	2003	2002	2001
	(Shares in thousands)		
Employee stock options/restricted stock	633	509	1,340
Warrant	110	—	16
	<u>743</u>	<u>509</u>	<u>1,356</u>

Advances From Affiliate

Advances from affiliate relate to cash received by a joint venture entity from advance billings on contracts, which are made available to the partners. Such advances are classified as an operating liability of the company.

Derivatives and Hedging

The company uses forward exchange contracts to hedge certain foreign currency transactions entered into in the ordinary course of business. At December 31, 2003, the company had approximately \$53 million of foreign exchange contracts outstanding relating to engineering and construction contract obligations. The company does not engage in currency speculation. The forward exchange contracts generally require the company to exchange U.S. dollars for foreign currencies at maturity, at rates agreed to at inception of the contracts. If the counterparties to the exchange contracts (AA or A+ rated banks) do not fulfill their

FLUOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

obligations to deliver the contracted currencies, the company could be at risk for any currency related fluctuations. The contracts are of varying duration, none of which extend beyond December 2006. The company formally documents its hedge relationships at inception, including identification of the hedging instruments and the hedged items, as well as its risk management objectives and strategies for undertaking the hedge transaction. The company also formally assesses both at inception and at least quarterly thereafter, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in the fair value of the hedged items. All existing fair value hedges are determined to be highly effective. As a result, the impact to earnings due to hedge ineffectiveness is immaterial for 2003, 2002 and 2001. The transition adjustment upon adoption was immaterial.

The company limits exposure to foreign currency fluctuations in most of its engineering and construction contracts through provisions that require client payments in U.S. dollars or other currencies corresponding to the currency in which costs are incurred. As a result, the company generally does not need to hedge foreign currency cash flows for contract work performed. Under certain limited circumstances, such foreign currency payment provisions could be deemed embedded derivatives under Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended (SFAS 133). As of December 31, 2003, 2002 and 2001, the company had no significant embedded derivatives in any of its contracts.

In April 2003 the FASB issued SFAS No. 149, "Amendments of Statement 133 on Derivative Instruments and Hedging Activities" (SFAS 149). SFAS 149 amends and clarifies accounting for derivative instruments embedded in other contracts, and for hedging activities under SFAS 133. SFAS 149 is effective for contracts entered into or modified after June 30, 2003, and for hedging relationships designated after June 30, 2003. The adoption of the provisions of SFAS 149 did not have a material effect on the company's consolidated financial statements.

Concentrations of Credit Risk

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

Stock Plans

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

In December 2002, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 148, "Accounting for Stock-Based Compensation — Transition and Disclosure" (SFAS 148). This statement amends the disclosure requirements of SFAS No. 123, "Accounting for Stock-Based Compensation" (SFAS 123) to require more prominent disclosures in financial statements about the effects of stock-based compensation. The company adopted the provisions of SFAS 148 effective December 31, 2002.

Under APB Opinion No. 25, no compensation cost is recognized for the option plans where vesting provisions are based only on the passage of time. Had the company recorded compensation expense using the

FLUOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

accounting method recommended by SFAS 123, net earnings and diluted earnings per share would have been reduced to the pro forma amounts as follows:

	Year Ended December 31		
	2003	2002	2001
	(In thousands)		
Net earnings			
As reported	\$157,450	\$163,615	\$19,410
Stock-based employee compensation expense, net of tax.....	<u>(8,577)</u>	<u>(8,340)</u>	<u>(10,514)</u>
Pro forma	<u>\$148,873</u>	<u>\$155,275</u>	<u>\$ 8,896</u>
Basic net earnings per share			
As reported	<u>\$ 1.97</u>	<u>\$ 2.06</u>	<u>\$ 0.25</u>
Pro forma	<u>\$ 1.86</u>	<u>\$ 1.95</u>	<u>\$ 0.11</u>
Diluted net earnings per share			
As reported	<u>\$ 1.95</u>	<u>\$ 2.05</u>	<u>\$ 0.25</u>
Pro forma	<u>\$ 1.84</u>	<u>\$ 1.94</u>	<u>\$ 0.11</u>

Comprehensive Income (Loss)

SFAS No. 130, "Reporting Comprehensive Income," establishes standards for reporting and displaying comprehensive income and its components in the consolidated financial statements. The company reports the cumulative foreign currency translation adjustments and adjustments related to recognition of minimum pension liabilities as components of Accumulated other comprehensive income (loss). At December 31, 2003, Accumulated other comprehensive loss included cumulative foreign currency translation adjustments of \$8.6 million (net of deferred tax of \$5.5 million) and adjustments related to recognition of minimum pension liabilities of \$26.7 million (net of deferred taxes of \$11.5 million).

Throughout 2003, exchange rates for functional currencies for most of the company's international operations strengthened against the U.S. dollar resulting in unrealized translation gains that are reflected in the cumulative translation component of other comprehensive income. Most of these unrealized gains relate to cash balances held in currencies other than the U.S. dollar.

Discontinued Operations

In September 2001, the Board of Directors approved a plan to dispose of certain non-core elements of the company's construction equipment and temporary staffing operations. In June 2003, the company completed the sale of the last equipment dealership operation resulting in cash proceeds of \$31.9 million, which approximated its carrying value. Prior to completion of the sale, the company recorded an additional after-tax impairment provision in the first quarter of 2003 of \$13.5 million, which included adjustments to deferred taxes, to recognize further deterioration in its fair value due to continued severely depressed conditions in the equipment rental industry.

Results of operations for all periods presented have been reclassified and are presented as discontinued operations. Interest expense was not reclassified to discontinued operations in connection with the non-core businesses because it is not expected that disposal of those operations will include any debt to be assumed by the buyers.

FLUOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The revenues and earnings (loss) from discontinued operations are as follows:

	Year Ended December 31		
	2003	2002	2001
	(In thousands)		
Revenue			
Dealership operations	\$ 30,097	\$155,909	\$ 279,099
Other equipment operations.....	—	7,880	10,153
Temporary staffing operations	34	67,661	138,102
Total Revenue	\$ 30,131	\$231,450	\$ 427,354
Earnings (loss) from discontinued operations:			
Dealership operations	\$ 2,575	\$ 4,214	\$ 13,569
Other equipment operations.....	117	213	(1,787)
Temporary staffing operations	(404)	(4,036)	(9,898)
Earnings from discontinued operations before tax.....	2,288	391	1,884
Provision for taxes.....	800	891	1,632
Earnings (loss) from discontinued operations	\$ 1,488	\$ (500)	\$ 252
Loss on disposal before tax	\$ (7,386)	\$ (8,770)	\$(139,423)
Provision for taxes (tax benefit)	5,718	(2,909)	(30,815)
Loss on disposal	\$(13,104)	\$ (5,861)	\$(108,608)

The assets and liabilities of the discontinued operations consisted of the following:

	Period Ended December 31	
	2003	2002
	(In thousands)	
Accounts and notes receivable		
Accounts and notes receivable	\$ —	\$ 9,551
Inventories and other assets		
Inventories and other assets	—	10,905
Property, plant and equipment, net		
Property, plant and equipment, net	—	29,238
Total assets of discontinued operations	\$ —	\$ 49,694
Accounts and notes payable		
Accounts and notes payable	\$ —	\$ 10,093
Accrued and other liabilities		
Accrued and other liabilities	—	13,327
Total liabilities of discontinued operations	\$ —	\$ 23,420

In June 2002, the FASB issued SFAS No. 146, “Accounting for Costs Associated with Exit or Disposal Activities” (SFAS 146). SFAS 146 addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force (“EITF”) Issue 94-3, “Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)”. SFAS 146 requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred. The Statement also establishes that fair value is the objective for initial measurement of the liability. SFAS 146 is effective for exit or disposal activities that are initiated after December 31, 2002. Application of this statement did not have a significant effect on the company’s consolidated results of operations or financial position.

FLUOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Business Investments and Acquisitions

From time to time, the company enters into investment arrangements, including joint ventures, that are related to its engineering and construction business. During 2001 through 2003, the majority of these expenditures related to ongoing investments in an equity fund that focuses on energy related projects and a number of smaller, diversified ventures.

In 2002, the company adopted SFAS No. 141, "Business Combinations" (SFAS 141). SFAS 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001. SFAS 141 also includes guidance on the initial recognition and measurement of goodwill and other intangible assets arising from business combinations completed after June 30, 2001. Application of this statement did not have a significant effect on the company's consolidated results of operations or financial position.

In the first quarter of 2003, the company completed two niche acquisitions to strengthen and expand existing business segments.

In January 2003, the company acquired Del-Jen, Inc. ("Del-Jen"), a leading provider of services to the Departments of Defense and Labor. The acquisition will expand the company's ability to provide services in the government outsourcing market and will be reported in the company's Government segment. Del-Jen was acquired for \$33.3 million in cash. In connection with this acquisition, the company recorded goodwill of \$24.0 million and intangible assets of \$3.2 million. Goodwill is no longer amortized but is reviewed periodically for impairment in accordance with SFAS 142. The intangible assets are being amortized over useful lives ranging from three to seven years.

In March 2003, the company acquired five specialty operations and maintenance ("O&M") business groups from Philip Services Corporation. The acquired businesses, which have been named Plant Performance Services ("P2S"), will expand and strengthen the O&M services business component of the Global Services segment and complement the company's core engineering, procurement, and construction business. The business groups were acquired for \$21.2 million in cash. The seller retained the working capital for these businesses. During the period from the date of acquisition through December 31, 2003, approximately \$44 million of working capital has been provided to the business to fund normal operations. The company has obtained independent appraisals and is in the process of completing its determination of the fair values of the acquired assets. As of December 31, 2003, the allocation of the purchase price has not been finalized pending valuation of assets acquired.

In November 2003, the company acquired the International Division of J.A. Jones Construction Company (J.A. Jones), which provides design-build and construction services to the U.S. Government. This acquisition will further expand the company's portfolio of government business. J.A. Jones has been renamed J.A. Jones International (A Fluor Company) and is reported in the Government segment. The acquisition did not have a material impact on the company's consolidated financial statements.

The company's consolidated financial statements include the operating results of these businesses from the date of acquisition. Pro forma results of operations have not been presented because the effects of these acquisitions were not material on either an individual or aggregate basis to the company's consolidated results of operations.

In February 2004, the company acquired Trend Western Technical Corporation, a provider of logistics and operations services to military bases in the United States and Guam. The acquisition will further expand the service offering and the international reach of Del-Jen. The acquisition is not expected to have a material impact on the company's consolidated results of operations for 2004.

FLUOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Consolidated Statement of Cash Flows

Cash flows as shown in the Consolidated Statement of Cash Flows and changes in operating assets and liabilities shown below include the effects of discontinued operations on a consolidated basis, without separate identification and classification of discontinued operations.

Securities with maturities of 90 days or less at the date of purchase are classified as cash equivalents. Securities with maturities beyond 90 days, when present, are classified as marketable securities within current assets and are carried at fair value.

The changes in operating assets and liabilities as shown in the Consolidated Statement of Cash Flows comprise:

	Year Ended December 31		
	2003	2002	2001
	(In thousands)		
(Increase) decrease in:			
Accounts and notes receivable	\$(129,232)	\$ 54,806	\$ 46,062
Contract work in progress	(394,475)	(49,361)	(18,514)
Inventories	(1,957)	36,666	29,053
Other current assets	(35,935)	(7,392)	(199)
Increase (decrease) in:			
Accounts payable	111,182	59,267	(80,273)
Advances from affiliate	(212,782)	(282,084)	374,816
Advance billings on contracts	(35,604)	100,419	113,003
Accrued liabilities	25,981	64,117	(19,078)
(Increase) decrease in operating assets and liabilities	<u><u>\$(672,822)</u></u>	<u><u>\$ (23,562)</u></u>	<u><u>\$444,870</u></u>
Cash paid during the period for:			
Interest	\$ 10,028	\$ 8,780	\$ 30,072
Income taxes	\$ 22,962	\$ 46,485	\$ 52,631
Supplemental disclosure of noncash activity:			
Warrant issued	\$ —	\$ —	\$ 6,380
Non-cash investing and financing activities:			
Consolidation of leased property, plant and equipment ..	\$(106,957)	\$ —	\$ —
Consolidation of lease financing	\$ 127,021	\$ —	\$ —

Strategic Reorganization Costs

In March 1999, the company reorganized its engineering and construction operations and recorded a special provision to cover direct and other reorganization related costs primarily for personnel, facilities and asset impairment adjustments. The plan was successfully implemented and carried out. As of December 31, 2003, the remaining unexpended reserve is \$1.5 million and relates to non-U.S. personnel costs that will be paid as follows: 2004 — \$0.8 million; 2005 — \$0.3 million; 2006 — \$0.2 million; 2007 — \$0.1 million; thereafter — \$0.1 million.

FLUOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Income Taxes

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

	Year Ended December 31		
	2003	2002	2001
	(In thousands)		
Current:			
Federal	\$ 3,183	\$ 4,904	\$ —
Foreign	37,279	33,406	44,090
State and local.....	<u>5,996</u>	<u>4,863</u>	<u>1,409</u>
Total current	<u>46,458</u>	<u>43,173</u>	<u>45,499</u>
Deferred:			
Federal	38,770	34,027	(19,110)
Foreign	3,953	14,771	157
State and local.....	<u>409</u>	<u>(3,441)</u>	<u>1,825</u>
Total deferred	<u>43,132</u>	<u>45,357</u>	<u>(17,128)</u>
Total income tax expense.....	<u><u>\$89,590</u></u>	<u><u>\$88,530</u></u>	<u><u>\$ 28,371</u></u>

The income tax expense (benefit) applicable to continuing operations, discontinued operations and cumulative effect of change in accounting principle is as follows:

	Year Ended December 31		
	2003	2002	2001
	(In thousands)		
Provision for continuing operations:			
Current	\$54,756	\$56,249	\$45,499
Deferred	<u>33,770</u>	<u>34,299</u>	<u>12,055</u>
Total provision for continuing operations	<u>88,526</u>	<u>90,548</u>	<u>57,554</u>
Provision (benefit) for discontinued operations:			
Current	(8,298)	(13,076)	—
Deferred	<u>14,816</u>	<u>11,058</u>	<u>(29,183)</u>
Total provision (benefit) for discontinued operations	<u>6,518</u>	<u>(2,018)</u>	<u>(29,183)</u>
Provision for cumulative effect of change in accounting principle:			
Current	—	—	—
Deferred	<u>(5,454)</u>	<u>—</u>	<u>—</u>
Total provision for cumulative effect of change in accounting principle	<u>(5,454)</u>	<u>—</u>	<u>—</u>
Total income tax expense.....	<u><u>\$89,590</u></u>	<u><u>\$88,530</u></u>	<u><u>\$28,371</u></u>

FLUOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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

	Year Ended December 31		
	2003	2002	2001
	(In thousands)		
U.S. statutory federal tax expense.....	\$93,793	\$91,183	\$64,862
Increase (decrease) in taxes resulting from:			
Valuation allowance	19,471	—	—
State and local income taxes	4,163	4,214	1,950
Items without tax effect, net	1,440	10,066	9,251
Tax return adjustments and settlements.....	(22,279)	(6,671)	(5,823)
Foreign Sales Corporation tax benefit.....	(3,390)	(4,587)	(4,020)
Utilization of tax credits.....	(2,855)	—	—
Utilization of foreign loss carryforwards/carrybacks	(939)	(2,218)	(7,678)
Utilization of domestic loss carryforwards/carrybacks	(730)	—	—
Other, net.....	(148)	(1,439)	(988)
Total income tax expense — continuing operations.....	<u>\$88,526</u>	<u>\$90,548</u>	<u>\$57,554</u>

FLUOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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:

	December 31			
	2003	2002		
	(In thousands)			
Deferred tax assets:				
Accrued liabilities not currently deductible:				
Employee compensation and benefits	\$ 58,289	\$ 53,335		
Employee time-off accrual	41,155	44,228		
Project performance and general reserves	36,829	35,148		
Workers' compensation insurance accruals	22,190	29,155		
Tax credit carryforwards	46,641	44,745		
Tax basis of investments in excess of book basis	23,558	41,206		
Net operating loss carryforwards	20,703	43,158		
Capital loss carryforwards	10,271	6,718		
Lease related expenditures	6,838	5,651		
Translation adjustments	5,509	30,220		
Impairment of assets held for sale or disposal	—	15,374		
Other	<u>16,802</u>	<u>10,043</u>		
Total deferred tax assets	288,785	358,981		
Valuation allowance for deferred tax assets	<u>(63,670)</u>	<u>(61,711)</u>		
Deferred tax assets, net	<u>\$225,115</u>	<u>\$297,270</u>		
Deferred tax liabilities:				
Tax on unremitted non-U.S. earnings	\$(29,426)	\$(26,712)		
Book basis of property, equipment and other capital costs in excess of tax basis	(6,532)	(13,431)		
Other	<u>(4,556)</u>	<u>(15,055)</u>		
Total deferred tax liabilities	<u>(40,514)</u>	<u>(55,198)</u>		
Net deferred tax assets	<u>\$184,601</u>	<u>\$242,072</u>		

The company has U.S. and non-U.S. net operating loss carryforwards of approximately \$42 million and \$20 million, respectively, at December 31, 2003. The utilization of the U.S. losses are subject to certain limitations. Of the \$42 million U.S. losses, \$36 million will expire in the years 2020 and 2021 while the remaining \$6 million will expire in the years 2004 and 2005. The non-U.S. losses largely relate to the company's operations in Australia, and can be carried forward indefinitely until fully utilized.

The company has U.S. and non-U.S. capital loss carryforwards of approximately \$18 million and \$12 million, respectively, at December 31, 2003. The U.S. capital loss will expire in 2006 whereas the non-U.S. losses may be carried forward indefinitely.

The company has foreign tax credit carryforwards of approximately \$39 million, of which \$6 million will expire in 2004, \$27 million in 2006, and \$6 million in 2007. The company also has alternative minimum tax credit carryforwards of approximately \$8 million, which will never expire.

The company maintains a valuation allowance to reduce certain deferred tax assets to amounts that are more likely than not to be realized. This allowance primarily relates to the deferred tax assets established for

FLUOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

foreign tax credit carryforwards, capital loss carryforwards, certain project performance reserves and the net operating loss carryforwards of U.S. and certain non-U.S. subsidiaries.

Residual income taxes of approximately \$5 million have not been provided on approximately \$14 million of undistributed earnings of certain foreign subsidiaries at December 31, 2003 because the company intends to keep those earnings reinvested indefinitely.

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

	Year Ended December 31		
	2003	2002	2001
	(In thousands)		
United States	\$113,038	\$116,481	\$ 41,263
Foreign	<u>154,943</u>	<u>144,043</u>	<u>144,057</u>
Total	<u><u>\$267,981</u></u>	<u><u>\$260,524</u></u>	<u><u>\$185,320</u></u>

Retirement Benefits

The company sponsors contributory and non-contributory defined contribution retirement and defined benefit pension plans for eligible employees. Contributions to defined contribution retirement plans are based on a percentage of the employee's compensation. Expense recognized for these plans of approximately \$72 million, \$68 million and \$37 million in the years ended December 31, 2003, 2002 and 2001, respectively, 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. During 2003, the company contributed \$31 million and \$21 million, respectively, to the domestic defined benefit cash balance plan and to non-U.S. pension plans in order to maintain full funding of benefits accumulated under the plan. Payments to retired employees under these plans are generally based upon length of service, age and/or a percentage of qualifying compensation. The defined benefit pension plans are primarily related to domestic and international engineering and construction salaried employees and U.S. craft employees.

In December 2003, the FASB issued SFAS No. 132 (revised December 2003), "Employers' Disclosures about Pensions and Other Postretirement Benefits" (SFAS 132-R). This statement amends the disclosure requirements of SFAS 132 to require more details about retirement plan assets, benefit obligations, cash flows and other relevant information. SFAS 132-R is effective for years ending after December 15, 2003, except certain benefit payment and international plan disclosures that are effective for fiscal years after June 15, 2004. New disclosures relating to international plans are included in the accompanying information. The adoption of the disclosure provisions of SFAS 132-R did not have a material effect on the company's consolidated financial statements.

FLUOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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

	Year Ended December 31		
	2003	2002	2001
	(In thousands)		
Service cost	\$33,634	\$33,928	\$31,195
Interest cost	38,358	33,988	30,244
Expected return on assets	(40,318)	(44,252)	(41,249)
Amortization of transition asset.....	(758)	(1,690)	(1,808)
Amortization of prior service cost.....	(77)	36	34
Recognized net actuarial loss.....	20,999	8,958	1,352
Net periodic pension expense	<u>\$51,838</u>	<u>\$30,968</u>	<u>\$19,768</u>

The ranges of assumptions indicated below cover defined benefit pension plans in Australia, Germany, the United Kingdom, The Netherlands and the United States. These assumptions are as of each respective fiscal year-end based on the then current economic environment in each host country. The company uses December 31 as the measurement date for its plans.

	December 31		
	2003	2002	2001
For determining benefit obligations at year-end:			
Discount rates	5.50-6.00%	5.75-7.00%	6.25-7.75%
Rates of increase in compensation levels	3.00-4.00%	3.00-4.00%	3.50-4.00%
For determining net periodic cost for year:			
Discount rates	5.50-7.00%	5.75-7.00%	6.25-7.75%
Rates of increase in compensation levels	3.00-4.00%	3.00-4.00%	3.50-4.00%
Expected long-term rates of return on assets	5.00-8.00%	5.00-9.50%	5.00-9.50%

The following table sets forth the actual and target allocations of plan assets.

	Target Allocation	December 31	
		2003	2002
Asset category:			
Equity securities	60-70%	63%	66%
Debt securities	30-40%	28%	34%
Real estate	0%	0%	0%
Other	0%	<u>9%</u>	<u>0%</u>
Total	<u>100%</u>	<u>100%</u>	

Plan assets include zero shares of the company's common stock.

Assumptions concerning discount rates, long-term rates of return on assets and rates of increase in compensation levels are determined based on the current economic environment in each host country at the end of each respective annual reporting period. The company evaluates the funded status of each of its retirement plans using these current assumptions and determines the appropriate funding level considering applicable regulatory requirements, tax deductibility, reporting considerations and other factors. Recent decreases in long-term interest rates have the effect of increasing plan liabilities and if expected returns on plan assets are not achieved, future funding obligations could increase substantially. Assuming no changes in

FLUOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

current assumptions, the company expects to fund approximately \$30 to \$50 million for the calendar year 2004. If the discount rate were reduced by 25 basis points, plan liabilities would increase by approximately \$25 million.

The investment of assets in defined benefit plans is based on the expected long-term capital market outlook. Asset return assumptions utilizing historical returns, correlations and investment manager forecasts are set forth for each major asset category including public domestic, international and global equities, private equities, government, corporate and emerging market debt. Investment allocations are determined by each Plan's Investment Committee and/or Trustees. Long-term allocation guidelines are set and expressed in terms of a target and target range allocation for each asset class to provide portfolio management flexibility. The asset allocation is diversified to maintain risk at a reasonable level without sacrificing return. Factors including the future growth in the number of plan participants and forecasted benefit obligations, inflation and the rate of salary increases are also considered in developing asset allocations and target return assumptions. In the case of certain foreign plans, asset allocations may be governed by local requirements. While most of the company's plans are not prohibited from investing in the capital stock of Fluor Corporation, there are no such directed investments at the present time.

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

	December 31	
	2003	2002
	(In thousands)	
Change in pension benefit obligation		
Benefit obligation at beginning of period	\$600,261	\$515,651
Service cost	33,634	33,928
Interest cost	38,358	33,988
Employee contributions	3,689	2,939
Currency translation	50,832	37,202
Actuarial loss	54,436	12,576
Benefits paid	<u>(33,901)</u>	<u>(36,023)</u>
Benefit obligation at end of period	<u>\$747,309</u>	<u>\$600,261</u>
Change in plan assets		
Fair value at beginning of period	\$533,567	\$503,839
Actual return (loss) on plan assets	89,333	(80,056)
Company contributions	52,458	110,468
Employee contributions	3,689	2,939
Currency translation	41,122	32,400
Benefits paid	<u>(33,901)</u>	<u>(36,023)</u>
Fair value at end of period	<u>\$686,268</u>	<u>\$533,567</u>
Funded status	\$(61,041)	\$(66,694)
Unrecognized net actuarial loss	245,924	247,805
Unrecognized prior service cost	(364)	(326)
Unrecognized net asset	<u>(673)</u>	<u>(1,368)</u>
Net amount recognized	<u>\$183,846</u>	<u>\$179,417</u>

The above table includes obligations and assets of certain discontinued operations for which the company retains responsibility.

FLUOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Amounts recognized in the consolidated balance sheet as of December 31, 2003 and 2002 are as follows:

	December 31	
	2003	2002
	(In thousands)	
Prepaid benefit cost	\$173,613	\$167,256
Accrued benefit cost	(27,935)	(28,862)
Accumulated other comprehensive income (loss)	38,168	41,023
Net amount recognized	<u>\$183,846</u>	<u>\$179,417</u>

The following table sets forth selected information for a non-U.S. plan with an accumulated benefit obligation in excess of plan assets as of December 31, 2003 and 2002:

	December 31	
	2003	2002
	(In thousands)	
Projected benefit obligation	\$148,104	\$120,194
Accumulated benefit obligation	132,907	109,043
Fair value of plan assets	104,972	80,181

Additional information:

Increase (decrease) in minimum liability included in other comprehensive income (loss)	\$ (927)	\$ 28,862
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In addition to the company's defined benefit pension plans, the company and certain of its subsidiaries provide health care and life insurance benefits for certain retired employees. The health care and life insurance plans are generally contributory, with retiree contributions adjusted annually. Service costs are accrued currently. The accumulated postretirement benefit obligation at December 31, 2003, 2002 and 2001 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 10 percent in 2004 down to 5 percent in 2009 and beyond. The effect of a one percent annual increase in these assumed cost trend rates would increase the accumulated postretirement benefit obligation and the aggregate of the annual service and interest costs by approximately \$1.9 million and \$0.1 million, respectively. The effect of a one percent annual decrease in these assumed cost trend rates would decrease the accumulated postretirement benefit obligation and the aggregate of the annual service and interest costs by approximately \$1.8 million and \$0.1 million, respectively.

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

	Year Ended December 31		
	2003	2002	2001
	(In thousands)		
Service cost	\$ —	\$ —	\$ —
Interest cost	2,243	2,055	2,009
Expected return on assets	—	—	—
Amortization of prior service cost	—	—	—
Actuarial adjustment	—	165	—
Recognized net actuarial (gain) loss	631	114	—
Net periodic postretirement benefit cost	<u>\$ 2,874</u>	<u>\$ 2,334</u>	<u>\$ 2,009</u>

FLUOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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

	Year Ended December 31		
	2003	2002	2001
	(In thousands)		
Change in pension benefit obligation			
Benefit obligation at beginning of period	\$ 41,533	\$ 31,429	\$ 30,588
Service cost	—	—	—
Interest cost	2,243	2,055	2,009
Employee contributions	4,650	4,215	363
Actuarial (gain) loss	(4,588)	12,091	2,595
Benefits paid	<u>(9,293)</u>	<u>(8,257)</u>	<u>(4,126)</u>
Benefit obligation at end of period	<u>\$ 34,545</u>	<u>\$ 41,533</u>	<u>\$ 31,429</u>
Funded status	\$(34,545)	\$(41,533)	\$(31,429)
Unrecognized net actuarial loss	10,594	15,813	4,001
Accrued postretirement benefit obligation	<u>\$(23,951)</u>	<u>\$(25,720)</u>	<u>\$(27,428)</u>

The discount rate used in determining the postretirement benefit obligation was 6.00 percent at December 31, 2003 and 7.00 percent at December 31, 2002 and 2001.

On December 8, 2003, the Medicare Prescription Drug Improvement and Modernization Act of 2003 (the "Act") was signed into law. The impact of the Act is not reflected in any amounts disclosed in the financial statements or accompanying notes. The company is currently reviewing the effects the Act will have on its plans and expect to complete that review during 2004. In addition, the company is waiting for guidance from the United States Department of Health and Human Services on how the employer subsidy provision will be administered and from the FASB on how the impact of the Act should be recognized in the financial statements.

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

FLUOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Fair Value of Financial Instruments

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

	<u>December 31, 2003</u>	<u>December 31, 2002</u>	
	Carrying Value	Fair Value	Carrying Value
	(In thousands)		
Assets:			
Cash and cash equivalents	\$496,502	\$496,502	\$753,367
Notes receivable, including noncurrent portion	18,933	18,933	18,077
Long-term investments	7,458	7,926	25,214
Liabilities:			
Commercial paper, loan notes and notes payable	221,469	221,469	—
Long-term debt, including current portion	44,652	46,095	17,613
Other noncurrent financial liabilities	15,413	15,413	14,728
Other financial instruments:			
Foreign currency contracts	147	147	(449)
Letters of credit	—	1,548	—
Lines of credit	—	446	672

Fair values were determined as follows:

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

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

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

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

Foreign currency contracts are estimated by obtaining quotes from brokers.

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

Financing Arrangements

The company has unsecured committed revolving short- and long-term lines of credit with banks from which it may borrow for general corporate purposes up to a maximum of \$300 million. Commitment and facility fees are paid on these lines. At December 31, 2003, the company utilized \$121 million of its committed lines to support commercial paper. This debt bears interest at market rates for commercial paper instruments. The committed lines may also be used for borrowings which bear interest at prime rates based on the London Interbank Offered Rate ("LIBOR"), domestic certificates of deposit or other rates which are mutually acceptable to the banks and the company.

FLUOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The company has \$731 million in committed and uncommitted lines of credit to support letters of credit. At December 31, 2003, \$355 million of these lines of credit were used to support undrawn letters of credit. In addition, the company has \$120 million in uncommitted lines for general cash management purposes.

During the last quarter of 2003, the company issued commercial paper at a discount with a weighted average effective interest rate of 1.10 percent.

Short-term debt comprises:

	December 31	
	2003	2002
	(In thousands)	
Commercial paper	\$121,469	\$ —
Facilities financing	100,000	—
Total short-term debt	<u>\$221,469</u>	<u>\$ —</u>

Long-term debt comprises:

	December 31	
	2003	2002
	(In thousands)	
Facilities financing	\$27,021	\$ —
5.625% Municipal bonds	17,631	17,613
Total long-term debt	<u>\$44,652</u>	<u>\$17,613</u>

Certain of the company's engineering office facilities, located in Aliso Viejo, California and Calgary, Canada, are leased through arrangements involving variable interest entities. Beginning in 2003, the company consolidated these entities in its financial statements as prescribed by FIN 46-R.

At December 31, 2003, short-term and long-term debt included \$100 million and \$27 million, respectively, related to the consolidation of the Aliso Viejo and Calgary entities, respectively. The debt for these entities provides for interest only payments at interest rates based on a reference rate (LIBOR for the Aliso Viejo facility and Canadian banker's acceptance for the Calgary facility) plus a margin. Maturity on the debt coincides with the term of the leases, which expire in 2004 for facilities in Aliso Viejo and 2006 for facilities in Calgary. Rent payments are equal to the debt service on the underlying financing.

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

On May 15, 2003, the FASB issued Statement of Financial Accounting Standards No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity (SFAS 150). SFAS 150 establishes standards for classifying and measuring certain financial instruments that have characteristics of both liabilities and equity. SFAS 150 is effective for financial instruments entered into or modified after May 31, 2003. SFAS 150 did not have a material effect on the company's consolidated financial statements.

On February 17, 2004, the company issued \$300 million in convertible senior notes due February 15, 2024 and received \$294 million, net of underwriting discounts. The notes bear interest at a rate of 1.50 percent with interest payable semi-annually on February 15 and August 15 of each year. On or after February 15, 2005, the notes are convertible, subject to adjustment in certain events, into approximately 5.9 million shares of the company's common stock at an initial conversion price of \$55.94 per share. Upon conversion, the

FLUOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

company has the right to deliver, in lieu of common stock, cash or a combination of cash and shares of the company's stock.

Holders of notes may require the company to purchase all or a portion of their notes on February 15, 2009, February 15, 2014 and February 15, 2019 at 100 percent of the principal amount plus accrued and unpaid interest. The company will pay the first put on February 15, 2009 in cash and subsequent puts in cash, stock or a combination thereof at its option. Subsequent to February 16, 2009, the notes are redeemable at the option of the company, in whole or in part, at 100 percent of the principal amount plus accrued and unpaid interest. In the event of a change of control of Fluor, each holder may require the company to repurchase the notes for cash, in whole or in part, at 100 percent of the principal amount plus accrued and unpaid interest.

Subsequent to receipt of proceeds from the issuance of the convertible senior notes the company repaid all outstanding commercial paper.

On February 17, 2004, the underwriters of the convertible senior notes exercised their over-allotment option to purchase an additional \$30 million in principal amount of notes. On February 19, 2004, the company received proceeds of \$29.4 million, net of underwriting discounts.

On February 27, 2004, the company exercised its option to purchase the Aliso Viejo engineering and office facilities using proceeds received from the issuance of the convertible senior notes.

Other Noncurrent Liabilities

The company maintains appropriate levels of insurance for business risks. Insurance coverages contain various deductible amounts for which the company provides accruals based on the aggregate of the liability for reported claims and an actuarially determined estimated liability for claims incurred but not reported. Other noncurrent liabilities include \$35 million and \$55 million at December 31, 2003 and 2002, respectively, relating to these liabilities.

The company has deferred compensation and retirement arrangements for certain key executives which generally provide for payments upon retirement, death or termination of employment. At December 31, 2003 and 2002, \$236 million and \$202 million were accrued under these plans and included in noncurrent liabilities.

At December 31, 2003 and 2002, \$28 million and \$29 million, respectively, were included in noncurrent liabilities relating to the minimum pension liability for a non-U.S. plan.

Stock Plans

The company's executive stock plans provide for grants of nonqualified or incentive stock options, restricted stock awards and stock appreciation rights ("SARS"). All executive stock plans are administered by the Organization and Compensation Committee of the Board of Directors ("Committee") comprised of outside directors, none of whom are eligible to participate in the plans. Option grant prices are determined by the Committee and are established at the fair value of the company's common stock at the date of grant. Options and SARS normally extend for 10 years and become exercisable over a vesting period determined by the Committee, which can include accelerated vesting for achievement of performance or stock price objectives.

During the year ended December 31, 2003, the company issued 1,085,950 nonqualified stock options and 51,500 SARS with annual vesting of 25%. During the year ended December 31, 2002, the company issued 736,660 nonqualified stock options and 34,300 SARS with annual vesting of 25%. During the year ended December 31, 2001, the company issued 1,040,298 nonqualified stock options and 48,750 SARS with annual vesting of 25%.

FLUOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Restricted stock awards issued under the plans provide that shares awarded may not be sold or otherwise transferred until restrictions have lapsed or performance objectives have been attained as established by the Committee. Upon termination of employment, shares upon which restrictions have not lapsed must be returned to the company. Restricted stock granted under the plans totaled 1,079,813 shares, 245,110 shares and 17,504 shares in the years ended December 31, 2003, 2002 and 2001, respectively. The weighted-average grant date fair value of restricted stock granted during the years ended December 31, 2003, 2002 and 2001 was \$29, \$30 and \$45 per share, respectively. Recorded compensation cost, net of tax, for restricted stock plans totaled \$7 million, \$4 million and \$6 million for the years ended December 31, 2003, 2002 and 2001, respectively.

For purposes of calculating the proforma stock-based compensation expense as presented in the table on page F-9, the following weighted-average assumptions were used for new grants:

	December 31		
	<u>2003</u>	<u>2002</u>	<u>2001</u>
Expected option lives (years)	5	6	6
Risk-free interest rates	3.00%	3.25%	4.74%
Expected dividend yield	2.21%	2.20%	1.75%
Expected volatility.....	42.06%	45.50%	48.30%

The fair value of each option grant is estimated on the date of grant by using the Black-Scholes option-pricing model. The weighted-average fair value of options granted during the years ended December 31, 2003, 2002 and 2001 was \$9, \$12 and \$20 per share, respectively.

The following table summarizes stock option activity:

	<u>Stock Options</u>	<u>Weighted Average Exercise Price Per Share</u>
Outstanding at December 31, 2000	<u>9,355,124</u>	<u>\$27</u>
Granted.....	1,040,298	44
Expired or canceled.....	(269,189)	34
Exercised	<u>(5,564,921)</u>	<u>26</u>
Outstanding at December 31, 2001	<u>4,561,312</u>	<u>\$31</u>
Granted.....	736,660	30
Expired or canceled.....	(97,421)	37
Exercised	<u>(627,896)</u>	<u>24</u>
Outstanding at December 31, 2002	<u>4,572,655</u>	<u>\$31</u>
Granted.....	1,085,950	29
Expired or canceled.....	(111,177)	43
Exercised	<u>(1,101,406)</u>	<u>45</u>
Outstanding at December 31, 2003	<u>4,446,022</u>	<u>\$32</u>
Exercisable at:		
December 31, 2003	2,693,830	\$32
December 31, 2002	3,400,858	\$30
December 31, 2001	<u>3,299,216</u>	<u>\$27</u>

FLUOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

At December 31, 2003, there are 4,510,924 shares available for future grant. Available for grant includes shares which may be granted as either stock options or restricted stock, as determined by the Committee under the company's various stock plans.

At December 31, 2003, there are 4,446,022 options outstanding with exercise prices between \$17 and \$45, with a weighted-average exercise price of \$32 and a weighted-average remaining contractual life of 3.1 years; 2,693,830 of these options are exercisable with a weighted-average exercise price of \$32. Of the options outstanding, 1,283,531 have exercise prices between \$17 and \$26, with a weighted-average exercise price of \$25 and a weighted-average remaining contractual life of 5.2 years; 1,280,054 of these options are exercisable with a weighted-average exercise price of \$25. The remaining 3,162,491 outstanding options have exercise prices between \$27 and \$45, with a weighted-average exercise price of \$31 and a weighted-average remaining contractual life of 5.8 years; 1,413,776 of these options are exercisable with a weighted-average exercise price of \$39.

Lease Obligations

Net rental expense for continuing operations amounted to approximately \$90 million, \$83 million and \$76 million in the years ended December 31, 2003, 2002 and 2001, respectively. The company's lease obligations relate primarily to office facilities, equipment used in connection with long-term construction contracts and other personal property.

During 2001, the company entered into a sale/leaseback arrangement for its engineering center in Sugar Land, Texas. The net proceeds from the sale were \$127 million resulting in a \$6 million gain on sale that was deferred and will be amortized over the initial lease term of 20 years. The lease contains four options to renew for five years each at the then-applicable fair market rent and the right of first offer to purchase the facility in the event the landlord desires to sell its interests. The lease has been accounted for as an operating lease and the rent payments are included in the below schedule of minimum rental obligations.

In December 2003, the FASB issued Interpretation No. 46 (revised December 2003), "Consolidation of Variable Interest Entities" (FIN 46-R). FIN 46-R provides the principles to consider in determining when variable interest entities must be consolidated in the financial statements of the primary beneficiary. In general, a variable interest entity is an entity used for business purposes that either (a) does not have equity investors with voting rights or (b) has equity investors that are not required to provide sufficient financial resources for the entity to support its activities without additional subordinated financial support. FIN 46-R requires a variable interest entity to be consolidated by a company if that company is subject to a majority of the risk of loss from the variable interest entity's activities or entitled to receive a majority of the entity's residual returns or both. A company that consolidates a variable interest entity is called the primary beneficiary of that entity.

The company also has operating leases for its corporate headquarters and engineering center in Aliso Viejo, California and an office in Calgary, Canada. The entities that own the facilities have debt issued by banks that is secured by leases of the facilities. The leases provide for the company to pay rent that is sufficient to provide debt service and a return to the equity interests. The leases contain residual value guarantees totaling \$105 million. If the company defaults on the lease payments or were to fail to meet its obligations under the residual value guarantee, the lenders to and owners of the entities could proceed with recourse actions against the company to enforce payment. The company has no ownership interest in the companies that own the facilities but is deemed to be the primary beneficiary of the variable interests of these entities and has consolidated these interests in the company's financial statements in 2003 under the requirements of FIN 46-R. At December 31, 2003, the effect of this consolidation resulted in an increase of \$100 million and \$27 million in reported short-term and long-term debt, respectively, and an increase in Property, Plant and Equipment of \$107 million. None of the terms of the leasing arrangements or the company's obligations as a lessee were impacted by this change in accounting. The cumulative impact of the difference in earnings,

FLUOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

amounting to a charge of \$10.4 million net of tax, relating to prior years was reported in the first quarter of 2003 as the cumulative effect of a change in accounting principle.

On February 27, 2004, the company exercised its option to purchase the Aliso Viejo engineering and office facilities for the balance of debt outstanding using proceeds received from the issuance of convertible senior notes. At December 31, 2003, the company's balance sheet included \$100 million of outstanding short-term debt and buildings with a net book value of \$82 million in connection with the Aliso Viejo facility.

The company's obligations for minimum rentals under non-cancelable leases are as follows:

<u>Year Ended December 31,</u>	<u>(In thousands)</u>
2004	\$ 30,776
2005	28,365
2006	20,398
2007	16,705
2008	15,792
Thereafter	159,220

Contingencies and Commitments

The company and certain of its subsidiaries are involved in litigation in the ordinary course of business. The company and certain of its subsidiaries are contingently liable for commitments and performance guarantees arising in the ordinary course of business. Clients have made claims arising from engineering and construction contracts against the company, and the company has made certain claims against clients for costs incurred in excess of the current contract provisions. Recognized claims against clients amounted to \$16 million at both December 31, 2003 and 2002. Amounts ultimately realized from claims could differ materially from the balances included in the financial statements. The company does not expect that claim recoveries will have a material effect on its consolidated financial position or results of operations.

As of December 31, 2003, several matters on certain completed and in progress projects are in the dispute resolution process. The following discussion provides a background and current status of these matters:

Murrin Murrin

Disputes between Fluor Australia ("Fluor") and its client, Anaconda Nickel ("Anaconda"), over the Murrin Murrin Nickel Cobalt project located in Western Australia were partially resolved through arbitration during the third quarter of 2002. The first phase of the arbitration hearing was completed in May 2002 and a decision was rendered in September 2002 resulting in an award to Anaconda of A\$147 million (subsequently amended to A\$150 million [US\$84.0 million]) and an award to Fluor of A\$107 million [US\$59.9 million] for amounts owing from Anaconda under the contract. The company has recovered the first phase award plus substantially all defense costs incurred from available insurance.

On July 28, 2003, the Supreme Court of Victoria, Australia granted Anaconda's appeal of an issue that had been decided in favor of Fluor by the arbitration panel in the first phase. This decision sends the arbitration panel's denial of Anaconda's claim for the cost of a fifth autoclave train back to the panel for further reconsideration. Fluor has appealed the Supreme Court's decision to the State of Victoria Court of Appeal.

The second phase of the arbitration was heard in September 2003. A decision is expected in the third quarter of 2004. The company anticipates that any liability arising from proceedings under either the first or the second phase of arbitration, regardless of the outcome of the appeal, will be covered by available insurance.

FLUOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Fluor Daniel International and Fluor Arabia Ltd. v. General Electric Company, et al
U.S.D.C., Southern District Court, New York

In October 1998, Fluor Daniel International and Fluor Arabia Ltd. filed a complaint in the United States District Court for the Southern District of New York against General Electric Company and certain operating subsidiaries as well as Saudi American General Electric, a Saudi Arabian corporation. The complaint seeks damages in connection with the procurement, engineering and construction of the Rabigh Combined Cycle Power Plant in Saudi Arabia. Subsequent to a motion to compel arbitration of the matter the company initiated arbitration proceedings in New York under the American Arbitration Association international rules. The evidentiary phase of the arbitration has been concluded and a decision is expected in the second quarter of 2004.

**Dearborn Industrial Project
Duke/Fluor Daniel (D/FD)**

The Dearborn Industrial Project (the “Project”) started as a co-generation combined cycle power plant project in Dearborn, Michigan. The initial Turnkey Agreement, dated November 24, 1998, consisted of three phases. Commencing shortly after Notice to Proceed, the owner/operator, Dearborn Industrial Generation (“DIG”), issued substantial change orders enlarging the scope of the project.

The Project has been severely delayed with completion of Phase II. DIG has unilaterally taken over completion and operation of Phase II and is commissioning that portion of the plant. Shortly thereafter, DIG drew upon a \$30 million letter of credit which D/FD expects to recover upon resolution of the dispute. D/FD retains lien rights (in fee) against the project. In October 2001, suit was commenced in Michigan State Court to foreclose on the lien interest.

On December 12, 2001, DIG filed a responsive pleading denying liability and simultaneously served a demand for arbitration to D/FD claiming, among other things, that D/FD is liable to DIG for alleged construction delays and defective engineering and construction work at the Dearborn plant. The court has ordered the matter to arbitration. The lien action remains stayed pending completion of the arbitration of D/FD’s claims against DIG and DIG’s claims against D/FD. An arbitration panel has been appointed and the arbitration will likely proceed in early 2005.

Butinge Nafta Oil Terminal

On March 10, 2000, Butinge Nafta (“Nafta”) commenced arbitration proceedings against Fluor Daniel Intercontinental (“FDI”) concerning a bulk oil storage terminal (the “Facility”) located in Lithuania alleging, among other issues, that FDI represented costs in excess of actual estimates. FDI engineered, procured and managed the construction of the Facility on a lump sum basis. On June 21, 2000, Fluor filed a separate arbitration against Nafta to recover delay/disruption damages caused by Nafta, as well as compensation for out of scope services. The first hearing on the merits of the case was conducted in late May 2001 with an additional hearing in June 2002. Final legal submissions and arguments were completed in September 2002. In June 2003, FDI was issued a favorable award on its claims and Nafta’s major claims against FDI were dismissed with prejudice resulting in a net award to Fluor of \$4.6 million. The resolution of this matter did not have a material effect on results of operations.

Hamaca Crude Upgrader

The Hamaca Crude Upgrader Project (Hamaca) located in Jose, Venezuela. Hamaca is a \$1.1 billion lump sum project (including \$92 million of approved change orders) of Grupo Alvica (“GA”), a joint venture including Fluor Daniel (80 percent) and Inelectra C.A. (20 percent), to design and build a petroleum

FLUOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

upgrader for a consortium of owners called Petrolera Ameriven (“PA”) including Petroleos de Venezuela S.A. (“PDVSA”), ChevronTexaco and ConocoPhillips.

The joint venture is actively pursuing two cost and schedule relief issues that were referred to arbitration in December 2001: the first is responsibility for costs arising from the site labor agreement for 2000 called “Acta Convenio” and the second relates to modifications and extra work arising from differing site soil conditions. The hearings on the fundamental cost differences between the earlier 1998 labor agreement and the 2000 Acta Convenio were held in April 2003. The site soil conditions issue was the subject of hearings in November 2002. There are no monetary cross-claims by PA in the arbitration. Events in Venezuela including a national strike in early 2003 have had a significant impact on the progress of the project. In accordance with the contract, the joint venture is entitled to cost and schedule relief for the impact of the national strike. A change order relating to the national strike in the approximate amount of \$340 million was submitted by GA. This action was followed by the filing of an arbitration claim relating to this issue in January 2004. A time schedule for the resolution of the claim will be established by the arbitration panel in the near future. Force majeure incidents occurring prior to the national strike also were the subject of arbitration hearings in October 2003.

The arbitration panel, by procedural order dated January 8, 2004, has ordered PA to refrain from taking any action to seek liquidated delay damages, making claim against or drawing down on a Letter of Credit, terminating the contract with GA, or making any demands pursuant to any guarantee provisions in the contract, pending completion of the site soil conditions issues. The award on the site soils conditions matter is anticipated in the near future. The client has conditionally accepted responsibility relating to the soil conditions and \$28 million of incurred costs has been paid. The amount of the claim for site soil conditions is \$159 million including the \$28 million conditional payment. The company is accounting for the additional costs incurred for the soil conditions matter as additional revenue as payments are received. The amount of the claim for Acta Convenio is \$210 million and no payments have been made by the client relating to this matter.

Incurred costs associated with Acta Convenio, soil conditions, the recent national strike and other claims are probable of being recovered and thus are being deferred. These costs will be recognized in revenue when a change order is approved or payment is received. As of December 31, 2003, incurred costs amounting to \$179.6 million have been deferred. Substantial additional costs are expected to be incurred as the project progresses and resolution of outstanding issues concerning the total amount to be awarded and schedule extensions are yet to be determined. If costs relating to Acta Convenio, soil conditions, the recent national strike or other claims are determined to be not recoverable, the company could face reduced profits or losses on this project, along with lower levels of cash and additional borrowings. The project remains subject to future disruptions that could result in additional costs and claims.

Following is a discussion of other litigation matters:

Asbestos Matters

The company is a defendant in various lawsuits wherein plaintiffs allege exposure to asbestos fibers and dust due to work that the company may have performed at various locations. The company has substantial third party insurance coverage to cover a significant portion of existing and any potential costs, settlements or judgments. No material provision has been made for any present or future claims and the company does not believe that the outcome of any actions will have a material adverse impact on its financial position, results of operations or cash flows. The company has resolved a number of cases to date, which in the aggregate have not had a material adverse impact.

FLUOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Securities Class Action Litigation
U.S.D.C., Central District, Southern Division, California

Plaintiffs in three separate lawsuits are alleging that certain Fluor officers and directors violated the Securities Exchange Act of 1934 by providing false or misleading statements about the company's business and prospects. These complaints purport to be class action complaints brought on behalf of purchasers of the company's stock during the period from May 22, 1996 through February 18, 1997. The company's initial motion to dismiss the action was granted by the court with leave to amend. The plaintiffs filed their amended complaint and the company moved the court to dismiss the new amended complaint. The Court granted the company's motion and dismissed plaintiff's action without leave to amend on July 10, 2002. Plaintiffs appealed the dismissal and the Ninth Circuit Court of Appeals has remanded the motion to the trial court with instructions to allow plaintiff an additional chance to plead additional claims.

None of the dispute resolution or litigation matters are expected to have a material effect on consolidated financial position or results of operations.

Guarantees

In November 2002 the FASB issued Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" (FIN-45). FIN 45 elaborates on the disclosures to be made by a guarantor in its interim and annual financial statements about its obligations under certain guarantees that it has issued. FIN 45 requires a guarantor to recognize, at the inception of a guarantee, a liability for the fair value of the obligations undertaken in issuing the guarantee. The disclosure provisions of FIN 45 are effective for financial statements of periods ending after December 15, 2002. Additionally, the recognition of a guarantor's obligation should be applied on a prospective basis to guarantees issued after December 31, 2002. The adoption of the disclosure and recognition provisions of FIN 45 did not have a material effect on the company's Consolidated Financial Statements.

In the ordinary course of business, the company enters into various agreements providing financial or performance assurances to clients on behalf of certain unconsolidated subsidiaries, joint ventures and other jointly executed contracts. These agreements are entered into primarily to support the project execution commitments of these entities. The guarantees have various expiration dates ranging from mechanical completion of the facilities being constructed to a period extending beyond contract completion in certain circumstances. The maximum potential payment amount of an outstanding performance guarantee is the remaining cost of work to be performed by or on behalf of third parties under engineering and construction contracts. The amount of guarantees outstanding measured on this basis totals \$2.8 billion as of December 31, 2003. Amounts that may be required to be paid in excess of estimated costs to complete contracts in progress are not estimable. For cost reimbursable contracts amounts that may become payable pursuant to guarantee provisions are normally recoverable from the client for work performed under the contract. For lump sum or fixed price contracts, this amount is the cost to complete the contracted work less amounts remaining to be billed to the client under the contract. Remaining billable amounts could be greater or less than the cost to complete. In those cases where costs exceed the remaining amounts payable under the contract the company may have recourse to third parties, such as owners, co-venturers, subcontractors or vendors for claims.

Financial guarantees, made in the ordinary course of business on behalf of clients and others in certain limited circumstances, are entered into with financial institutions and other credit grantors and generally obligate the company to make payment in the event of a default by the borrower. Most arrangements require the borrower to pledge collateral in the form of property, plant and equipment which is deemed adequate to recover amounts the company might be required to pay. As of December 31, 2003, the company had extended financial guarantees on behalf of certain clients and other unrelated third parties totaling approximately \$8 million. A financial guarantee for \$10 million of pollution control bonds related to zinc operations that were sold in 1987 has been recognized at the full amount of the underlying obligation. The obligation was

FLUOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

recognized by a charge to earnings in 2002 due to the obligor's bankruptcy filing and inability to meet the current obligation on the bonds without financial assistance from the company.

Other Matters

In 2001, the company issued a warrant for the purchase of 460,000 shares at \$36.06 per share of the company's common stock to a partner in the company's e-commerce procurement venture. Any compensation realized by the holder through exercise of the warrant will offset royalties otherwise payable under a five-year cooperation and services agreement.

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

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

Operations by Business Segment and Geographical Area

The company provides professional services on a global basis in the fields of engineering, procurement, construction and maintenance. During the first quarter of 2003, the company realigned certain operations to increase focus on the chemicals market. Projects in this market were formerly in the Energy & Chemicals segment and will now be executed and reported in the Industrial & Infrastructure segment. The Energy & Chemicals segment was renamed Oil & Gas and all prior periods have been restated to reflect this change.

Following the realignment, operations are now organized in five industry segments: Oil & Gas, Industrial & Infrastructure, Government, Global Services and Power. The Oil & Gas segment provides engineering and construction professional services for upstream oil and gas production, downstream refining, and certain petrochemicals markets. The Industrial & Infrastructure segment provides engineering and construction professional services for manufacturing and life sciences facilities, commercial and institutional buildings, mining, chemicals, telecommunications and transportation projects and other facilities. The Government segment provides project management, engineering, construction, and contingency response services to the United States government. The Global Services segment includes operations and maintenance, equipment and temporary staffing services and the company's global sourcing and procurement services business. The Power segment provides professional services to engineer, construct and maintain power generation facilities. Services provided by the Power segment are primarily conducted through two jointly owned groups; Duke/Fluor Daniel, 50 percent owned partnerships with Duke Energy, and ICA Fluor Daniel, 49 percent jointly owned companies with Grupo ICA, a Mexican company.

On July 9, 2003, the company jointly announced with Duke Energy Corporation the decision to terminate the Duke/Fluor Daniel partnership relationship as a result of the significant decline in the construction of new power plants. A joint plan among the partners is being developed to dissolve the business over the next two years. The dissolution is not expected to have a material impact on results of operations or financial position of the company. The company will continue to identify power generation opportunities and any prospective projects will be performed 100 percent by Fluor.

FLUOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

All segments except Global Services and Government provide design, engineering, procurement and construction services on a world-wide basis to an extensive range of industrial, commercial, utility, natural resources and energy clients. Services provided by these segments include: feasibility studies, conceptual design, detail engineering, procurement, project and construction management and construction.

The Global Services segment provides a variety of services including: equipment services and outsourcing for construction and industrial needs; repair, renovation, replacement, predictive and preventative services to commercial and industrial facilities; and productivity consulting services and maintenance management to the manufacturing and process industries. In addition, Global Services provides temporary staffing specializing in technical, professional and administrative personnel for projects in all segments.

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

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

FLUOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Operating Information By Segment

	Year Ended December 31		
	2003	2002	2001
	(in millions)		
External revenues			
Oil & Gas	\$ 2,647	\$ 3,482	\$ 2,257
Industrial & Infrastructure.....	2,598	2,400	2,387
Government	1,694	952	813
Global Services	1,108	961	1,017
Power	759	2,164	2,476
Corporate and other	—	—	22
Total external revenues.....	<u>\$8,806</u>	<u>\$9,959</u>	<u>\$8,972</u>
Operating profit			
Oil & Gas	\$ 121	\$ 129	\$ 102
Industrial & Infrastructure.....	63	55	105
Government	48	30	22
Global Services	97	93	50
Power	77	107	74
Total operating profit	<u>\$ 406</u>	<u>\$ 414</u>	<u>\$ 353</u>
Depreciation and amortization			
Oil & Gas	\$ —	\$ —	\$ 1
Industrial & Infrastructure.....	—	—	2
Government	1	—	—
Global Services	40	40	35
Power	—	—	—
Corporate and other	39	38	34
Total depreciation and amortization	<u>\$ 80</u>	<u>\$ 78</u>	<u>\$ 72</u>
Total assets *			
Oil & Gas	\$ 509	\$ 331	\$ 379
Industrial & Infrastructure.....	447	469	384
Government	475	128	85
Global Services	388	318	395
Power	104	116	91
Corporate and other	1,526	1,730	1,599
Total assets *	<u>\$3,449</u>	<u>\$3,092</u>	<u>\$2,933</u>
Capital expenditures			
Oil & Gas	\$ —	\$ —	\$ —
Industrial & Infrastructure.....	—	—	—
Government	—	—	—
Global Services	57	46	60
Power	—	—	—
Corporate and other	22	17	88
Total capital expenditures	<u>\$ 79</u>	<u>\$ 63</u>	<u>\$ 148</u>

* Continuing operations only

FLUOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Reconciliation of Segment Information to Consolidated Amounts

	Year Ended December 31		
	<u>2003</u>	<u>2002</u>	<u>2001</u>
	(In millions)		
CONTINUING OPERATIONS			
Total segment operating profit	\$406	\$414	\$353
Corporate administrative and general expense	141	160	167
Interest (income) expense, net	(3)	(7)	1
Earnings from continuing operations before taxes	<u>\$268</u>	<u>\$261</u>	<u>\$185</u>
At December 31			
	<u>2003</u>	<u>2002</u>	
	(In millions)		
TOTAL ASSETS			
Total assets for reportable segments	\$3,449	\$3,092	
Assets of discontinued operations.....	—	50	
Total assets	<u>\$3,449</u>	<u>\$3,142</u>	

Enterprise-Wide Disclosures

	Revenues from Continuing Operations			Total Assets	
	Year Ended December 31			At December 31	
	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2003</u>	<u>2002</u>
	(In millions)				
United States*	\$5,473	\$6,515	\$6,323	\$2,016	\$1,923
Canada	560	1,620	1,412	159	150
Asia Pacific (includes Australia)	333	226	287	114	160
Europe	1,001	810	423	492	450
Central and South America.....	1,069	546	379	576	344
Middle East and Africa	370	242	148	92	65
Assets of discontinued operations	—	—	—	—	50
	<u>\$8,806</u>	<u>\$9,959</u>	<u>\$8,972</u>	<u>\$3,449</u>	<u>\$3,142</u>

* Includes export revenues to unaffiliated customers of \$0.6 billion, \$0.8 billion and \$0.1 billion in the years ended December 31, 2003, 2002 and 2001, respectively.

FLUOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Quarterly Financial Data (Unaudited)

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

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(In thousands, except per share amounts)			
Year ended December 31, 2003				
Revenues	\$2,076,959	\$2,243,400	\$2,120,815	\$2,364,529
Cost of revenues	1,980,261	2,146,339	2,023,254	2,249,623
Earnings from continuing operations before taxes ..	60,648	66,087	65,072	76,174
Earnings from continuing operations	40,925	42,986	44,124	51,420
Cumulative effect of change in accounting principle	(10,389)	—	—	—
Net earnings	16,912	44,994	44,124	51,420
Basic earnings (loss) per share				
Continuing operations	0.52	0.54	0.55	0.64
Discontinued operations	(0.17)	0.02	—	—
Cumulative effect of change in accounting principle	(0.13)	—	—	—
Net earnings	0.22	0.56	0.55	0.64
Diluted earnings (loss) per share				
Continuing operations	0.51	0.54	0.55	0.63
Discontinued operations	(0.17)	0.02	—	—
Cumulative effect of change in accounting principle	(0.13)	—	—	—
Net earnings	0.21	0.56	0.55	0.63
Year ended December 31, 2002				
Revenues	\$2,506,609	\$2,536,113	\$2,451,215	\$2,465,019
Cost of revenues	2,420,045	2,439,409	2,336,284	2,349,047
Earnings from continuing operations before taxes ..	53,625	66,946	73,691	66,262
Earnings from continuing operations	36,181	43,011	46,057	44,727
Net earnings	41,190	42,975	31,249	48,201
Basic earnings (loss) per share				
Continuing operations	0.46	0.54	0.58	0.56
Discontinued operations	0.06	—	(0.19)	0.05
Net earnings	0.52	0.54	0.39	0.61
Diluted earnings (loss) per share				
Continuing operations	0.45	0.54	0.58	0.56
Discontinued operations	0.06	—	(0.19)	0.05
Net earnings	0.51	0.54	0.39	0.61

FLUOR CORPORATION
REPORT OF INDEPENDENT AUDITORS

Board of Directors and Shareholders
Fluor Corporation

We have audited the accompanying consolidated balance sheets of Fluor Corporation at December 31, 2003 and 2002, and the related consolidated statements of earnings, cash flows, and shareholders' equity for each of the three years in the period ended December 31, 2003. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Fluor Corporation at December 31, 2003 and 2002, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2003, in conformity with accounting principles generally accepted in the United States.

As discussed in the Financing Arrangements note to the consolidated financial statements, effective January 1, 2003, the company adopted Financial Accounting Standards Board Interpretation No. 46, "Consolidation of Variable Interest Entities."

/s/ ERNST & YOUNG LLP

Orange County, California
January 28, 2004,
except for the Financing Arrangements and
Lease Obligations notes, as to which the date is
February 27, 2004

FLUOR CORPORATION
CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Alan L. Boeckmann, certify that:

1. I have reviewed this annual report on Form 10-K of Fluor Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures at the end of the period covered by this report based on such evaluation; and
 - c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: _____ /s/ ALAN L. BOECKMANN

Alan L. Boeckmann,
*Chairman of the Board and
Chief Executive Officer*

Date: March 15, 2004

FLUOR CORPORATION
CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, D. Michael Steuert, certify that:

1. I have reviewed this annual report on Form 10-K of Fluor Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures at the end of the period covered by this report based on such evaluation; and
 - c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: _____ /s/ **D. MICHAEL STEUERT**
D. Michael Steuert,
Senior Vice President
and Chief Financial Officer

Date: March 15, 2004

**CERTIFICATION PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002***

Each of the undersigned hereby certifies, in his capacity as an officer of Fluor Corporation (the "Company"), for purposes of 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

- the Annual Report of the Company on Form 10-K for the period ended December 31, 2003 fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and
- the information contained in such report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ ALAN L. BOECKMANN
Alan L. Boeckmann,
*Chairman of the Board and
Chief Executive Officer*

By: /s/ D. MICHAEL STEUERT
D. Michael Steuert,
*Senior Vice President
and Chief Financial Officer*

Date: March 15, 2004

* A signed original of this written statement required by Section 906 has been provided to Fluor Corporation and will be retained by Fluor Corporation and furnished to the Securities and Exchange Commission or its staff upon request.