

I am pleased to share this assessment of our accomplishments and challenges during Fiscal Year 1999. In this report, we take stock of our progress toward Hanford's cleanup goals and identify areas that require additional focus as we enter our fourth year on the Hanford site.

During 1999, we have made steady gains in cleaning up and managing the site's legacy wastes. In many areas, we are actually accelerating the scheduled cleanup pace. I'm proud that this work is being done safely and more cost-effectively than ever before. Our team has sustained its emphasis on employee safety, and we have implemented the Integrated Environment, Safety and Health Management System to further enhance our programs.

These gains could not have been made without the teamwork of collective bargaining personnel who have set a goal of zero accidents and have made other significant contributions to our safety program. Together this year, we were able to sustain our overall OSHA recordable case rate at 2.5 injuries reported per 200,000 hours worked, the third best record in the DOE Complex. This is yet another example of the dedication and commitment shown by all our employees at Hanford.

During Fiscal Year 1999, progress against cleanup goals included:

- Pumping radioactive wastes from single- to double-shell tanks in amounts that far exceeded targets
- Resuming full-scale stabilization activities at the Plutonium Finishing Plant after a two-year self-imposed restriction to implement safety improvements



- Retrieving transuranic wastes and completing preparations 14 months ahead of plan for transportation to a permanent storage site
- Reducing nuclear material inventories near the river and populated areas
- Making significant headway toward moving spent nuclear fuels out of the K Basins into long-term storage

Our progress continues to provide important lessons. For instance, we are now putting the world's best technology to work for tasks such as remote handling and preparations for long-term storage of spent nuclear fuel. We continue to look for breakthrough, innovative approaches to expeditiously get real cleanup results. Implementing innovative, cost-effective methods of achieving project milestones will help us continue to deliver outstanding results for both our Department of Energy client and for the taxpayer.

We're proud of the achievements we've made this fiscal year, and we know that through many of these achievements, we are poised to make even greater gains in the year ahead. The Department of Energy's Richland Operations office has articulated a fresh vision for the site, which has our enthusiastic support. In

response, we are sharpening our focus on the distinct pieces of work that support the vision:

- Restoring the Columbia River corridor
- Transitioning the site's central plateau for long-term waste management
- Putting assets to work for the future of the Tri-Cities and neighboring communities

We have developed and implemented a new commercial business model to better accomplish these gains – a model built around a flexible, project-focused organization. This new organization is flatter, layers of management have been eliminated, project focus and efficiency are increased, and significant resources have been redirected to the field where cleanup is taking place. This new business model also joins together the employees of our subcontractor team, allowing us to capitalize on each individual's skill – regardless of contractor affiliation.

Streamlining Fluor Hanford operations allows the Hanford site, more than ever before, to benefit from Fluor's commercial project-management expertise. We fully intend to honor the cleanup commitments we made to Hanford and the community three years ago. We welcome your review of our progress as we continue to raise the bar to achieve even higher levels of performance.

Sincerely,

A handwritten signature in black ink that reads "Ron Hanson". The signature is written in a cursive, flowing style.

President and Chief Executive Officer  
Fluor Hanford