



To our customers, employees, partners, suppliers, and friends

When Bechtel rapidly provided housing for tens of thousands of displaced Mississippians following Hurricane Katrina, the Federal Emergency Management Agency called it a “remarkable success.” The same could be said about Bechtel’s overall performance in 2005.

Our hurricane relief work typified the speed, skill, and commitment that our 40,000 employees brought to hundreds of projects around the world last year. With liquefied natural gas projects and work on fossil and nuclear plants, we helped customers meet growing worldwide demand for clean energy and power. We continued to be a major service provider to the U.S. government. And with projects such as a new mega-airport in Qatar, a major suspension bridge in the United States, and an aluminum smelter in Iceland, we showcased the diversity that makes us the global leader in our industry.

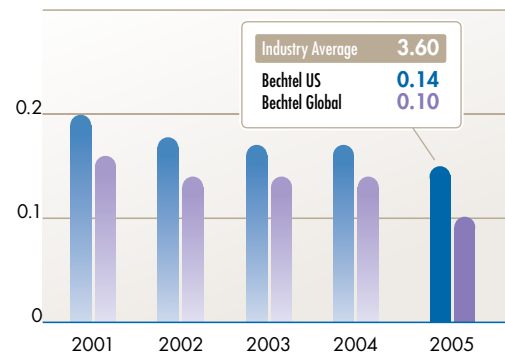
Our strong project execution and commitment to our customers paid off with record workoff revenue for the third straight year. In addition, we booked new work at the third-highest level in the company’s history.

We also achieved our best overall safety performance ever and continued to rank as one of the safest companies in our industry. During 2005, more than 50 Bechtel projects recorded at least 1 million consecutive job hours without losing time because of an accident.

We continued to improve quality—and save customers money—by using Six Sigma, a data-driven methodology now in its sixth year at Bechtel. With thousands of employees trained

Safety First

Number of lost-workday incidents
per 100 workers per year



to use its tools, Six Sigma is becoming an everyday part of the way we work.

Another priority was our global workforce. We know that our employees—representing some 100 nationalities—are our greatest resource and the key to the company’s future. In 2005 we put new emphasis on finding new ways to recruit and retain talented workers, while at the same time developing the next generation of Bechtel leaders.

In 2005, as in past years, we tackled projects too challenging for others, and brought unmatched experience and expertise to our work. We are confident that by continuing to help our customers maximize their return on investments, we will remain the world’s top choice for engineering and construction.

Riley P. Bechtel
CHAIRMAN & CHIEF EXECUTIVE OFFICER

Adrian Zaccaria
PRESIDENT & CHIEF OPERATING OFFICER

Business Review

Bechtel's broad portfolio of businesses and our global presence—strengths that have set us apart in the engineering and construction industry—proved more valuable than ever in 2005 as we achieved one of the best overall performances in our 108-year history.

With solid contributions across our multiple global business units, we posted record workoff revenue of \$18.1 billion, up from \$17.4 billion in 2004. The value of new work rose from \$15.7 billion to \$18.5 billion, the third highest in our history. Additionally, we began 2006 with a healthy backlog of work.

Leading the way in 2005 were our Oil, Gas & Chemicals unit, which capitalized on worldwide demand for new energy, and Bechtel National, our government services unit. OG&C, a leader in the fast-growing market for liquefied natural gas production, had LNG projects in Australia, Egypt, Equatorial Guinea, and Trinidad—and a regasification project in Louisiana. OG&C also landed a pair of large gas projects in the Middle East.

Bechtel National, consistently one of our strongest business units, continues to be a major provider to the U.S. government. In addition to ongoing projects involving environmental remediation, defense readiness, and chemical demilitarization, we made steady progress in reconstructing vital infrastructure in Iraq and provided temporary housing for hurricane victims in Mississippi. In December, the U.S. Department of Energy selected a group led by Bechtel and the University of California to manage and operate the prestigious Los Alamos National Laboratory.

About half of our new work and half of our workoff revenue came from outside North America, with OG&C again setting the pace. Work continued in 2005 on three rail projects in the UK, a motorway in Romania, and a new airport in Qatar.

In the United States, the Boston Central Artery/Tunnel project, also known as the Big Dig, achieved substantial completion, while in Washington State, construction of the new Tacoma Narrows Bridge moved into the final phase.

It also was another busy year for our Mining & Metals unit, which completed the expansion of an aluminum smelter in Bahrain, made good progress on a new smelter in eastern Iceland, and began yet another smelter project in Oman.

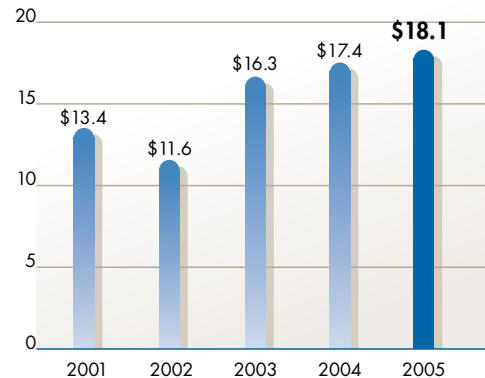
Our Power unit broke ground on the \$2.15 billion Elm Road power plant in Wisconsin, and is partnering with GE Energy on designs for a plant in Ohio using “cleaner coal” technology.

Bechtel Telecommunications continued to help Cingular upgrade its U.S. wireless network to high-speed service, and supported Vodafone in its high-speed rollout in Australia.

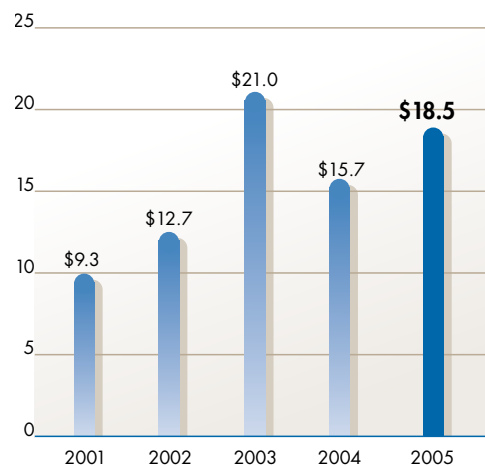
Last year, Bechtel and Shell sold their InterGen joint venture, which developed and operated fossil power projects around the world. We also reached a settlement with the government of India after more than three years of negotiations associated with the suspended Dabhol power project.

In the following pages you'll read about dozens of major projects that made 2005 a very good year and kept us at the top of our industry.

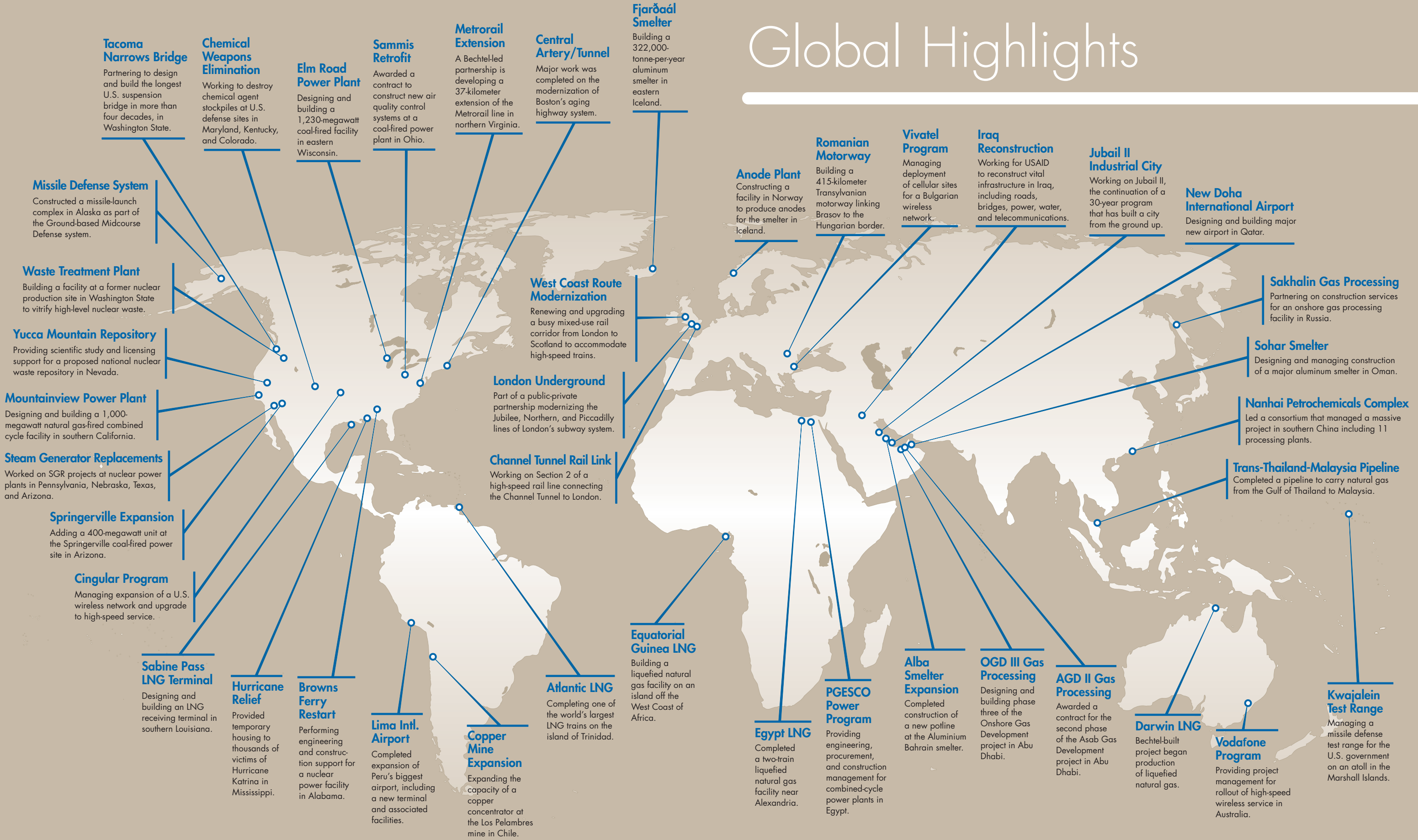
Workoff Revenue
in billions of dollars



New Work Booked
in billions of dollars



Global Highlights



Rail projects in the UK and a challenging U.S. suspension bridge highlighted the year.

Global Infrastructure

RAIL SYSTEMS, ROADS, BRIDGES, TUNNELS, AVIATION FACILITIES, AND PORTS

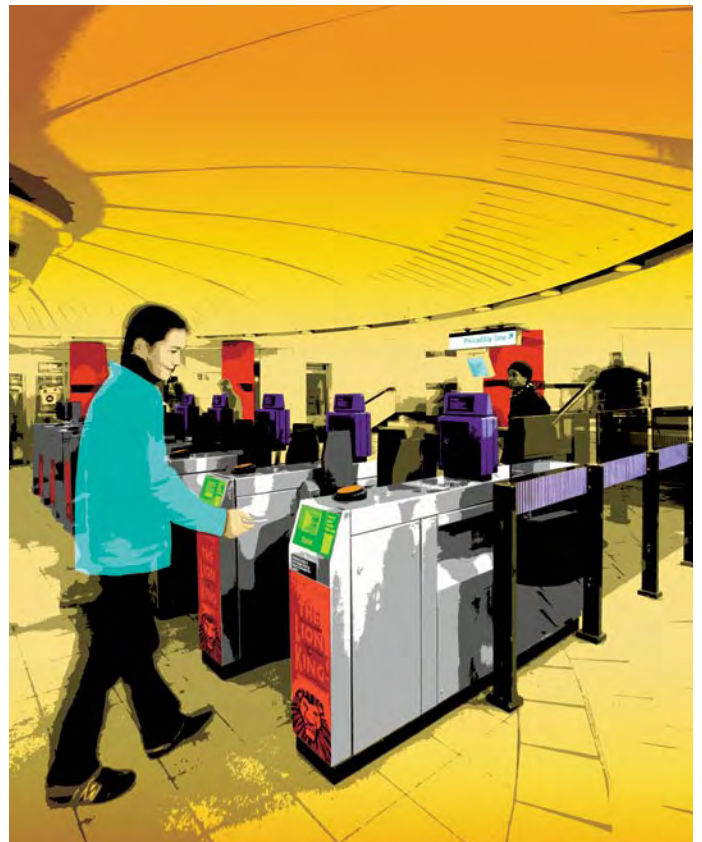
The largest rail project in Europe and the longest U.S. suspension bridge in four decades highlighted Bechtel's global infrastructure work in 2005.

In the UK, the \$15 billion modernization of the busy West Coast Main Line rail corridor connecting London and Glasgow reached another milestone with the inauguration of high-speed train service to Scotland. In London, upgrade work on the London Underground enabled the introduction of an additional car on Jubilee Line trains, significantly boosting passenger capacity. Another ongoing UK project, the Channel Tunnel Rail Link, featured restoration work on the historic St. Pancras Station in Central London to accommodate high-speed Eurostar trains.

Work progressed well on the New Doha International Airport in Qatar, and in October, Bechtel was awarded additional work that will increase the size of the terminal and passenger capacity at the airport. We also completed the modernization of the international airport in Lima, Peru—ahead of schedule and without a lost-time accident. In Romania, we have been building a 415-kilometer motorway.

In the United States, the 1,646-meter-long Tacoma Narrows Bridge is taking shape in Washington State. The two towers were completed in mid-2005, and work now focuses on cabling and deck construction. On the East Coast, major work finished on Boston's Central Artery/Tunnel project in Boston—the largest urban infrastructure project in the United States.

In the Washington, D.C.-Virginia area, we are involved in a 37-kilometer extension of the Metrorail line to Dulles International Airport.



An entrance to the renovated Knightsbridge station on the London Underground.

Liquefied natural gas projects contributed to an extraordinary performance.

Oil, Gas & Chemicals

OIL, GAS, PETROCHEMICAL, LNG, PIPELINES, AND INDUSTRIAL FACILITIES

Bechtel's Oil, Gas & Chemicals unit had an exceptional year, helping customers meet surging worldwide demand for energy. We continued to dominate the market for liquefied natural gas production facilities, working on new LNG plants in Australia and Equatorial Guinea and expanding a plant in Trinidad with a processing train capable of producing 5.2 million tonnes per year. We also completed a two-train LNG project in Egypt. In Louisiana, we're working on an LNG receiving terminal, jumpstarting a potentially large market as the United States turns to LNG as an alternative to natural gas.

We continue to have a strong presence in the Middle East, winning a pair of major gas plant/pipeline projects in Abu Dhabi with a combined value of some \$2.75 billion. In Saudi Arabia, a Bechtel-led joint venture is constructing a gas processing plant for Saudi Aramco with a capacity of more than 28 million cubic meters per day.

Elsewhere, the massive CSPC Nanhai Petrochemicals Complex in southern China is in the start-up phase. In northwestern India, we have been selected for a project to double the capacity of the Jamnagar oil refinery, which we built several years ago.

We also completed two natural gas pipelines—one across Trinidad to supply the Atlantic LNG project and another in



Welding on the Trans-Thailand-Malaysia pipeline.

southeast Asia that will furnish Malaysia with gas from the Gulf of Thailand. Meanwhile, work continued on a 1,000-kilometer pipeline project in Thailand.

As demand for energy continues to grow, OG&C appears well-positioned to continue as one of Bechtel's strongest units.

Rapid Response

After Hurricane Katrina devastated the Gulf Coast last August, the U.S. government mounted an unprecedented disaster recovery effort. To shelter tens of thousands of people left homeless in Mississippi, the Federal Emergency Management Agency (FEMA) turned to Bechtel, with its history of responding rapidly to catastrophic events.

Within days, Bechtel personnel were on the ground assessing damage and launching a program to provide travel trailers to families in areas hardest hit by the huge storm. The company opened emergency operations centers to register people for the program, opened a command center in the state capital, Jackson, and began hiring workers, mostly from Mississippi and other Gulf states.

Within a very few days after the hurricane struck, the first trailers were delivered to displaced Mississippians. Bechtel's team—over 2,000 strong—soon was providing nearly 1,000 people with shelter each day. By early 2006, we had provided some 36,000 trailers for nearly 100,000 hurricane victims.

Calling the effort a remarkable success, FEMA said that never in its history had so many people been given shelter so quickly.

While helping hurricane victims, Bechtel also helped revitalize the area's economy. Almost half of the company's relief work has gone to firms in Mississippi, and over 60 percent to firms from the Gulf Coast region. Moreover, 80 percent of the subcontracts were awarded to small businesses.

The U.S. government chose Bechtel largely on the strength of its record of responding in times of great need. Since the 2003 Iraq conflict, Bechtel has helped reconstruct that nation's vital infrastructure. After the terrorist attacks of September 2001, the company assisted health and safety efforts during rescue and recovery at the site of the World Trade Center. When unrest in the Balkans displaced thousands of people in 1999, Bechtel built a fully functional tent city for 20,000 Kosovar refugees in less than 60 days. And following the Gulf War in 1991, the company managed an effort that extinguished oil well fires in Kuwait.

These accomplishments were remarkable, but not surprising. Anyone who has witnessed Bechtel mobilize for a big construction job knows how fast it can marshal vast resources. It's part of what makes Bechtel Bechtel.



Bechtel personnel discuss work in Pascagoula, Mississippi.

Important fossil and nuclear work kept us in the forefront of power generation.

Power

ELECTRICAL GENERATING PLANTS USING FOSSIL AND NUCLEAR FUEL, AND SERVICES FOR EXISTING PLANTS

Bechtel Power enjoyed a busy year in 2005, working on several fossil-fuel projects and helping utilities plan for a new generation of nuclear plants, while modernizing existing facilities. In the fossil market, the 1,000-megawatt Mountainview natural gas-fired plant in California continued ahead of schedule, and the expansion of the Springerville coal-fired plant in Arizona headed for completion in 2006. We also began the retrofit of seven coal-fired units at a plant in Ohio, and the design and construction of the \$2.15 billion Elm Road Generating Station in Wisconsin. That project will include a two-unit 1,230-megawatt supercritical coal-fired power plant, 19 kilometers of railroad, and a deep-rock water intake tunnel from Lake Michigan.

Last year also saw the first fruits of an alliance between Bechtel and GE Energy to develop standardized power plants using “cleaner coal” technology known as integrated gasification combined cycle (IGCC). The alliance, created to develop cost-efficient standardized plant designs, is performing early engineering for an IGCC plant in Ohio.



A steam generator is removed at Palo Verde Nuclear Generating Station in Arizona.

On the nuclear side, we continued projects to replace aging components at power generating stations in Pennsylvania, Nebraska, Texas, and Arizona. With decades of experience in the nuclear power industry, we are also providing support for new plants now under consideration by utilities such as Constellation, Dominion, Southern, and Tennessee Valley Authority.

Projects around the world underscored our leadership in the aluminum industry.

Mining & Metals

FERROUS, NONFERROUS, PRECIOUS, AND LIGHT METALS, AS WELL AS INDUSTRIAL MATERIALS

Bechtel's leadership in the aluminum industry was manifest once again in 2005. In Bahrain, we completed an expansion of the Alba smelter that made it one of the world's largest aluminum production sites, with a capacity of more than 830,000 tonnes per year. The project included an innovative training program for hundreds of local workers, and it set a world record for fastest startup at an aluminum smelter. Based partly on our performance in Bahrain, we won another major project in nearby Oman, where we are providing engineering, procurement, and construction management for the new Sohar aluminum smelter.

In remote eastern Iceland, construction is well under way on the Fjarðaál aluminum smelter. The project is a showcase for Bechtel's global reach, using steel from China, concrete from Iceland and Norway, and heavy equipment from Europe, the Middle East, China, and North America. We're also building a plant in Norway to supply carbon anodes to the Iceland smelter. In Australia, we worked on a study to increase the capacity of the Comalco Alumina Refinery—



The work site at the Alba smelter in Bahrain.

which we completed in 2004—while also expanding a bauxite mine that supplies the refinery. In Quebec, Canada, we're constructing a plant for Alcan that will use its technology to treat and recycle residue from aluminum smelters. We also continue our history of mining work in South America with two projects in Chile—the expansion of the Los Pelambres copper concentrator, and the completion of a copper recovery project for Codelco, the world's largest copper company.

We continued to help wireless carriers expand and enhance their services.

Telecommunications

WIRELESS AND OTHER TELECOMMUNICATIONS INFRASTRUCTURE

Again in 2005, Bechtel played a key role helping telecommunications companies expand their wireless networks and add high-speed voice and data services. We provided management, engineering, and construction services for Cingular Wireless's Universal Mobile Telephone Service rollout in major markets across the United States. UMTS enables a host of new features for mobile customers, including video and high-speed wireless Internet access.

We also signed a contract with a new customer and began work on a wireless network dedicated to television broadcasting. In 2006, this new technology will let cellular providers transmit news, sports, and entertainment broadcasts to mobile phones.

Bechtel last year won its first telecommunications work in Eastern Europe—a contract with Vivatel (a subsidiary of the Bulgaria Telecommunications Company) to perform project management services on deployment of 750 cell sites.

Working for Vodafone, Bechtel concluded its telecoms rail line work in the UK and expanded its project management services for a high-speed wireless network in Australian cities, including Sydney, Melbourne, and Canberra.

In Qatar, Bechtel began supporting the local telecom company, QTel, in expanding its wireless and wireline infrastructure in advance of the 2006 Asian Games, to be held there.

Bechtel also is helping make wireless infrastructure more reliable. In 2005 we were awarded a contract to support FiberTower in its deployment of microwave “backhaul” networks that connect cell sites to switching facilities.



Antennas of a Cingular rooftop cell site in Seattle, Washington.

The Los Alamos award capped another stellar year for Bechtel National.

Government Services

DEFENSE, SPACE, DEMILITARIZATION, ENERGY MANAGEMENT, AND ENVIRONMENTAL RESTORATION AND REMEDIATION SERVICES

Bechtel National continued to strengthen its standing as a key supplier to the U.S. government in 2005 with two important new projects. Following Hurricane Katrina in August, we provided temporary housing in record time for tens of thousands of displaced Mississippi residents (See Rapid Response, Page 12). In December, the U.S. Department of Energy selected a group headed by Bechtel and the University of California to manage and operate the nation's premier national laboratory at Los Alamos, New Mexico.

The new partnership will bring the best scientific and management expertise and resources in the country to Los Alamos, fostering the secure, efficient environment necessary for new scientific breakthroughs and delivery of national security milestones.

Work also continued on a number of other important projects. In Iraq, we made steady progress in a program that began in 2003 to reconstruct vital infrastructure, including water and power systems.

The Aberdeen Proving Ground in Maryland became the first U.S. defense site to completely destroy its stockpile of dangerous mustard agent. We are also working with the Defense Department to eliminate chemical stockpiles at installations in Colorado and Kentucky.

Other ongoing defense-related projects include management of a missile test range on Kwajalein Atoll in the South Pacific, and construction of a launch complex in Alaska for the Ground-based Midcourse Defense system.

On the environmental front, we are building a facility that will safely dispose of contaminated waste at the former nuclear production site in Washington State. In Nevada, we are



Operation of robotic arms at Savannah River Site in South Carolina.

supporting the licensing for the proposed national repository for nuclear waste, and we also manage the Nevada Test Site, which engages in a wide range of projects involving science and national security.

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