

URS

ENGINEERING THE FUTURE

URS CORPORATION 2005 ANNUAL REPORT



THE COMPANY

URS is one of the largest engineering design services firms worldwide and a major U.S. federal government contractor. We offer a comprehensive range of professional planning and design, systems engineering and technical assistance, program and construction management, and operations and maintenance services for transportation, commercial/industrial, facilities, environmental, water/wastewater, homeland security, installations and logistics, and defense systems.

URS has approximately 29,200 employees in two divisions: the URS Division and the EG&G Division. Through our extensive network of approximately 330 offices and contract-specific job sites across the U.S. and in more than 20 countries, we serve federal, state and local government agencies, as well as private industry and international clients in the chemical, pharmaceutical, oil and gas, power, manufacturing, mining and forest products industries.

The URS Division provides the full range of services required to build, maintain and improve infrastructure, including highways, bridges, mass transit systems, airports, and water supply and wastewater treatment facilities, as well as healthcare complexes, schools and other public buildings. We also provide environmental services for military, commercial and industrial facilities.

The EG&G Division supports various U.S. federal agencies, primarily the Departments of Defense and Homeland Security. We assist in the development and deployment of new weapons systems, maintain and upgrade military aircraft and equipment, and operate and maintain military installations. Our services include training pilots for the U.S. Armed Forces, providing technical assistance for global threat reduction programs and conducting homeland security preparedness exercises in communities throughout the U.S.

Headquartered in San Francisco, URS is a publicly held company listed on the New York Stock Exchange and the Pacific Exchange under the symbol *URS*. For more information about URS, please see our Annual Report on Form 10-K for the fiscal year ended December 30, 2005.

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URS Corporation's 2005 Annual Report contains statements that are not historical fact and that may constitute forward-looking statements involving risks and uncertainties, including statements about our future growth and future economic and business conditions. Our actual results could differ materially from those discussed in this Annual Report. Factors that might cause such a difference include, but are not limited to, those discussed under "Risk Factors" in URS Corporation's Annual Report on Form 10-K, which accompanies this Annual Report.

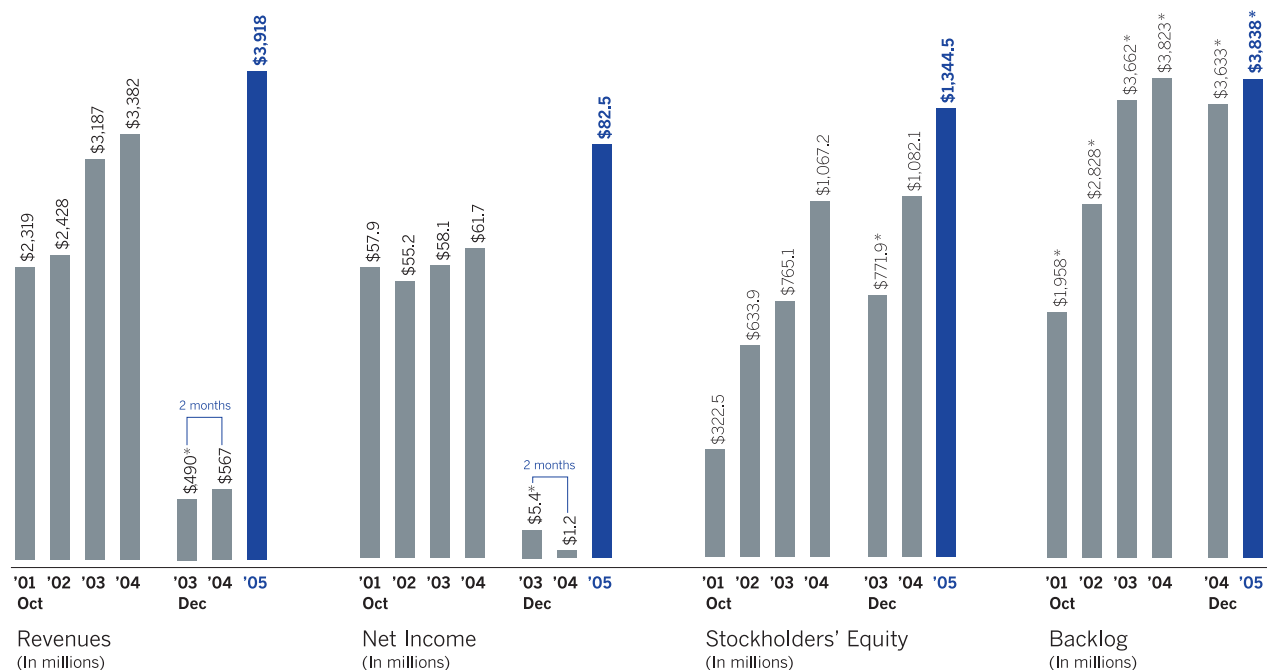
Cover: Baltimore/Washington International Airport, Maryland, Terminal Design

FINANCIAL HIGHLIGHTS

Financial data for the past five fiscal years and the two months ended December 31, 2004 and 2003 is summarized below¹. This financial data should be read in conjunction with the information contained in our financial statements and the accompanying notes, and the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations," included in our Annual Report on Form 10-K for the fiscal year ended December 30, 2005, filed with the Securities and Exchange Commission on March 15, 2006.

(In thousands, except per share data)	YEAR ENDED DECEMBER 30,	TWO MONTHS ENDED DECEMBER 31,		YEARS ENDED OCTOBER 31,			
	2005 ¹	2004 ¹	2003 ¹ (UNAUDITED)	2004	2003	2002	2001
Operations:							
Revenues	\$3,917,565	\$ 566,997	\$ 489,665	\$3,381,963	\$3,186,714	\$2,427,827	\$2,319,350
Costs and Expenses	\$3,774,730	\$ 564,714	\$ 480,587	\$3,280,719	\$3,089,880	\$2,336,716	\$2,215,198
Income Before Income Taxes	\$ 142,835	\$ 2,283	\$ 9,078	\$ 101,244	\$ 96,834	\$ 91,111	\$ 104,152
Net Income	\$ 82,475	\$ 1,163	\$ 5,448	\$ 61,704	\$ 58,104	\$ 55,171	\$ 57,852
Earnings Per Share	\$ 1.72	\$.03	\$.16	\$ 1.53	\$ 1.76	\$ 2.03	\$ 1.94

(In thousands)	AS OF DECEMBER 30,	AS OF DECEMBER 31,		AS OF OCTOBER 31,			
	2005 ¹	2004 ¹	2003 ¹ (UNAUDITED)	2004	2003	2002	2001
Financial Position:							
Cash	\$ 101,545	\$ 108,007	\$ 34,744	\$ 69,267	\$ 36,275	\$ 32,785	\$ 45,456
Total Assets	\$2,469,448	\$2,307,748	\$2,219,319	\$2,275,045	\$2,193,723	\$2,251,905	\$1,485,434
Total Debt	\$ 318,560	\$ 556,922	\$ 830,581	\$ 543,737	\$ 812,593	\$ 955,563	\$ 631,129
Preferred Stock	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 46,733	\$ 120,099
Stockholders' Equity	\$1,344,504	\$1,082,121	\$ 771,941	\$1,067,224	\$ 765,073	\$ 633,852	\$ 322,502



¹ Effective January 1, 2005, we adopted a 52/53 week fiscal year ending on the Friday closest to December 31, with interim quarters ending on the Fridays closest to March 31, June 30, and September 30. We filed a transition report on Form 10-Q with the SEC for the two months ended December 31, 2004. Our 2005 fiscal year began on January 1, 2005 and ended on December 30, 2005.

*Unaudited

TO OUR STOCKHOLDERS: URS' performance was strong in fiscal 2005, due to high revenue growth in our federal sector business and robust recovery in the state and local government market. I am proud of what we accomplished in 2005: Revenues were \$3.9 billion, a 16% increase from fiscal 2004¹; net income and earnings per share grew by 34% and 12%, respectively; we generated \$200 million in cash from operations; and we ended the year with the strongest book of business in URS history. Looking to the future, we see favorable trends in each of our market sectors and have the resources and talent to achieve continued growth in the years ahead.

Revenues from the federal sector, which account for nearly half of our business, grew 17% in 2005 compared with fiscal 2004. We continued to benefit from increased outsourcing and from the strong demand for our operations and maintenance services by Department of Defense (DoD) agencies. We also experienced growing demand for the services we provide to the Department of Homeland Security, as well as our services in support of environmental and facilities programs for a variety of federal government agencies. As federal agencies strive to control costs and meet ever-increasing demands for efficiency, URS is well positioned to win new work.

Another factor behind our solid performance was the recovery of the state and local government market. URS' revenues from this sector increased 29% from fiscal 2004, largely due to improved funding for infrastructure projects through increased state tax revenues, bond issuances and the passage of the federal highway funding law, SAFETEA-LU (the Safe, Accountable, Flexible, Efficient Transportation Equity Act: a Legacy for Users). This legislation will provide states with \$287 billion for transportation projects through 2009. With our geographic presence and experience working for state and municipal transportation agencies in virtually every state, we expect to further benefit from this legislation.

Our long-term outlook for the state and local government sector is strong, reflecting both the

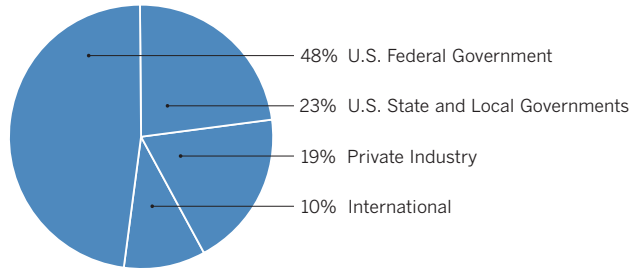
improved funding picture and an increased political focus on investment in infrastructure. Last year, the American Society of Civil Engineers reported that more than 3,500 dams maintained by state and local governments are in unsafe condition, and one of every three bridges located in urban areas is either structurally deficient, or functionally obsolete. While these needs will not be addressed overnight, policy makers are increasingly aware of the dangerous consequences of long-term under-investment in our country's infrastructure.

ANOTHER FACTOR BEHIND OUR STRONG PERFORMANCE WAS THE RECOVERY OF THE STATE AND LOCAL GOVERNMENT MARKET.

Although revenues from our domestic private sector business were flat in 2005, we benefited from our strategy to focus on emerging areas of the market, such as those generated by new air emissions regulations for coal-fired power plants. These regulations put greater restrictions on the emission of sulfur dioxide and other harmful pollutants. In anticipation of these regulations, in 2002, URS formed Advatech, a joint venture with Mitsubishi Heavy Industries.

Advatech has the North American license to one of the most efficient flue gas desulfurization, or FGD, technologies for the reduction of sulfur dioxide emissions. URS and Advatech currently are

Revenues by Client Type



working on FGD scrubber projects for several major utilities in the Southeast and Midwest. To meet these new regulatory standards, it is estimated that between 150 and 200 new FGD scrubber units will be retrofitted onto existing U.S. power plants over the next 15 years, creating new opportunities for URS and Advatech.

Both our domestic private sector and international businesses have benefited from our continued success in securing long-term Master Service Agreements (MSAs) with leading multinationals. MSAs now account for approximately 75% of our worldwide private sector business; three years ago, they were just one-third of total private sector revenues. Our international revenues grew 20% in 2005, compared with fiscal 2004, as a result of our success in diversifying our international business into the facilities and infrastructure markets, as well as our increased MSA work. Our international business, which represents nearly 10% of our total revenues, is an increasingly important source of continued growth for URS.

These results led to strong cash flow and the repayment of \$238 million of debt in fiscal 2005. Since the end of our 2002 fiscal year (following the acquisition of EG&G), we have repaid more than \$635 million in debt, thereby reducing our debt to total capitalization ratio from 58% to 19%.

Our theme for this year's annual report is *Engineering the Future*, reflecting our confidence

in the outlook for our business and URS' position at the forefront of the engineering and technical services market. On the following pages, you will find profiles of several landmark assignments we are performing, which will help to build a better future. I encourage you to read these stories and learn more about the potential of our Company and the talent of our professionals.

BOTH OUR DOMESTIC PRIVATE SECTOR AND INTERNATIONAL BUSINESSES HAVE BENEFITED FROM OUR CONTINUED SUCCESS IN SECURING LONG-TERM MASTER SERVICE AGREEMENTS.

Finally, on behalf of the Board of Directors and the entire Company, I wish to thank Kent Ainsworth, who retired as Chief Financial Officer of URS in early 2006. Kent served as URS' CFO for 15 years, making invaluable contributions to the tremendous growth of our Company during this period. We are pleased that he will continue to serve as an active advisor to URS. I also would like to thank our stockholders, clients and employees for their continued support. I look forward to updating you on our progress in 2006.

Martin M. Koffel
Chairman and Chief Executive Officer

BUILDING FOR THE FUTURE: INFRASTRUCTURE FOR THE 21ST CENTURY



“Capital spending on infrastructure is on the rise. The need to improve our transportation systems, public buildings, and water and wastewater systems has reached a critical point. URS’ capabilities will be integral to the massive effort to repair and improve these essential components of our society.”

Alfonso Rodriguez
Vice President, Office Manager
URS Division
Los Angeles, California



Governments at every level recognize that having functional, up-to-date infrastructure is vital to promoting economic growth, international competitiveness and the best standard of living for their citizens. However, the deterioration of this infrastructure, including water, power and transportation systems, is a reality—not only in the U.S., but also in Europe and the Asia-Pacific region.

Countless highways and bridges, airports, rail and transit networks, and port facilities have long surpassed peak capacity and are functionally obsolete. In the U.S. and other developed countries, overcrowded schools, outdated power grids, and inadequate water supply and treatment systems are commonplace.

A 2005 study by the American Society of Civil Engineers estimates that \$1.6 trillion needs to be spent over the next five years in the U.S. alone to prevent further deterioration of public infrastructure. As a consequence, capital spending on infrastructure is on the rise throughout the country. New legislation that provides funding to the states, as well as local bond measures approved by voters, will supply billions of dollars

for new infrastructure improvement projects. Investment also is growing in Europe and Asia-Pacific, as governments struggle to keep up with burgeoning demand.

URS is at the forefront of efforts to modernize and build transportation networks, water supply and wastewater treatment systems, and public facilities. As one of the largest engineering design firms in the U.S., our planners, engineers, architects and construction specialists have helped public agencies in every U.S. state expand and modernize aging infrastructure. A substantial part of our business in the U.K., Australia and New Zealand also involves planning, designing and managing the construction of public infrastructure improvement projects.

Modernizing infrastructure is a global issue. On the cusp of what may prove to be one of the largest periods of infrastructure spending in decades, URS is extremely well positioned to win and complete the full range of projects that will be necessary to maintain high-quality public infrastructure around the world.



- 1 17th Street Bridge, Design, Atlanta, Georgia
- 2 Sturgis Middle School, Architectural Design, Sturgis, Michigan
- 3 Sydney International Airport, Master Planning, Sydney, Australia
- 4 Calaveras Dam, Design and Permitting, Diablo Mountain Range, Northern California



“The funding for transportation systems is undergoing a revolutionary change. With our decades of experience providing planning, design and program and construction management services, URS has the capability to respond to that change and meet the commercial demands of design-build contracting and public-private partnerships.”

Albert Bast
Senior Vice President, Director of Surface Transportation
URS Division
New York, New York



KEEPING THE WORLD MOVING WITH EFFICIENT TRANSPORTATION

Increased pressure is being placed on existing transportation networks, and governments all over the world are committed to securing new funding and financing strategies to meet rising demands. As one of the largest and most experienced transportation firms, URS is poised to benefit from increased government spending. Transportation agencies worldwide rely on URS' capabilities to support every phase of transportation projects, from assessing a project's feasibility to securing financing, performing conceptual and final design, and managing complex construction programs.

In the U.S., the Safe, Accountable, Flexible, Efficient Transportation Equity Act: a Legacy for Users (SAFETEA-LU) was recently passed. The new act allocates a record \$226 billion in federal matching funds to the states for highways and \$53 billion for transit projects. Under a similar initiative known as AusLink, the Australian government is investing US \$9.2 billion for surface transportation projects over a five-year period.

Many aging highways haven't had any major improvements since they were first built. For example, State Route 22, also known as the Garden Grove Freeway, had not been upgraded since it opened in the 1960s. A major \$400 million reconstruction of this vital east-west route in Southern California is now underway, with URS as the lead designer. We also designed the replacement of the 17th Street Causeway Bridge (pictured left) in Fort Lauderdale, Florida, a movable bridge linking the city to its beautiful coastal beaches. In downtown Auckland, URS provided design and construction services for the new Britomart Transport Centre, one of the largest infrastructure projects undertaken by a local authority in New Zealand.

New infrastructure investment also is being generated through public-private partnerships to build and operate transportation infrastructure. In many countries, governments have been leasing existing toll roads, bridges or other surface facilities to private concessionaires, using the proceeds from these lease agreements to fund new initiatives. URS is engaged in one of the first projects of its kind in the U.S., the Chicago Skyway, where we are assisting the new concessionaire with its capital expansion projects.

As transportation agencies struggle to control the rising costs of operating and maintaining transportation systems, outsourcing has become another growing trend. Recently, URS was selected by the Virginia Department of Transportation to operate and maintain its Hampton Roads Smart Traffic Center, which handles 113 miles of interstate highway and is one of the largest, most complex traffic management systems in the country.

With the dramatic increases in transportation spending, URS is well positioned to play an increasingly important role in developing efficient, safe and reliable transportation networks to meet the continuing demand.



“The New York City metropolitan area has one of the largest and oldest mass transit networks in the world—with much of it built at the turn of the 20th century. URS is proud to be the construction manager for the new Transportation Hub, a modern, multimodal facility that represents a significant step in restoring Lower Manhattan.”

Olga Perković
Vice President, Corporate Strategic Planning
URS Corporation
San Francisco, California



A NEW URBAN LANDSCAPE FOR LOWER MANHATTAN

If New York City is the financial capital of the world, Lower Manhattan is its epicenter. Home to the New York Stock Exchange, Wall Street and many prominent investment and banking institutions, New York City's downtown business core has a profound impact on financial markets around the globe.

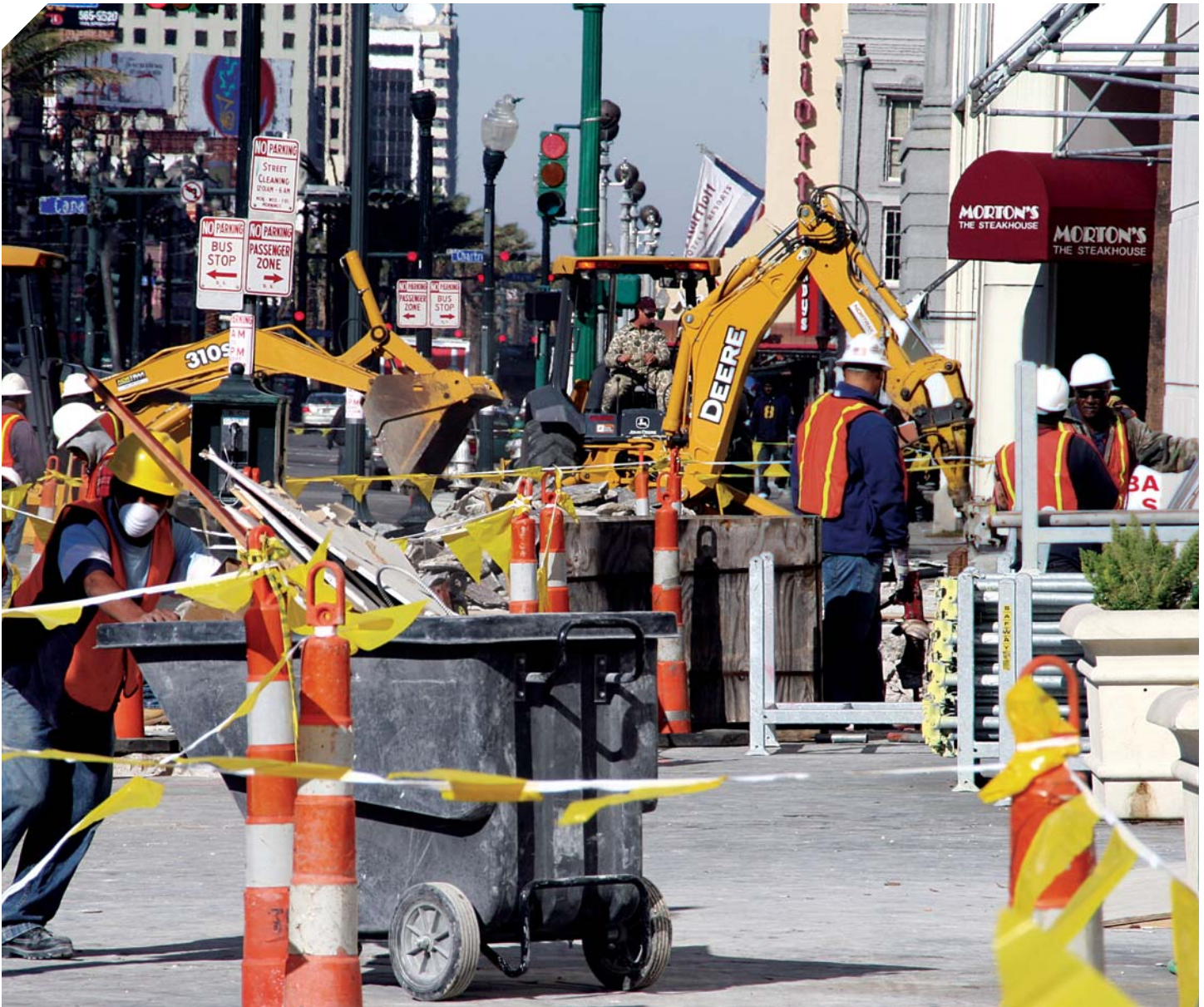
It is no surprise that the recovery and redevelopment of Lower Manhattan following the September 11th terrorist attacks have drawn so much world attention. The rebuilding is not only of vital economic importance, but also a symbol of the resilience of democracy and the free-market system.

URS' work at Ground Zero began just days after the Twin Towers collapsed, assisting the Federal Emergency Management Agency (FEMA) and the U.S. Postal Service in emergency response and cleanup efforts. Since that time, we have been actively involved in many aspects of the massive effort to rebuild the downtown infrastructure. Estimates to rebuild Lower Manhattan are staggering, ranging from \$20 to \$50 billion. The reconstruction of the World Trade Center site—including the Freedom Tower, the memorial and commercial development—is at the core of Lower Manhattan's renaissance.

For the Port Authority of New York and New Jersey, URS has the task of coordinating all construction logistics for the entire World Trade Center site. This work includes providing construction management services for a new \$2.2 billion Transportation Hub at the site, designed by famed Spanish architect Santiago Calatrava. The Transportation Hub will replace the Port Authority Trans-Hudson (PATH) rail station that was destroyed in the attacks. Incorporating state-of-the-art safety and security features, the Transportation Hub will include a terminal for the PATH line, as well as new pedestrian connections that will significantly improve access to ferries and subways.

But our work doesn't end there. URS also is managing the reconstruction of the West Side Highway, the primary corridor for accessing the World Trade Center site, and the deconstruction of the 42-story Deutsche Bank building, which was severely damaged in the attack and needs to be demolished.

Nearly five years after the worst attack on U.S. soil, the redevelopment of Lower Manhattan is well under way. When the work is completed, the urban landscape of downtown New York City will have been forever changed—not by the terrorists, but by those who are working to rebuild it.



“Hundreds of employees in our Gulf Coast offices began the difficult task of reconstruction following Hurricane Katrina, despite the losses they suffered. Their dedication, along with URS’ depth of resources, have made us uniquely qualified to address the widespread infrastructure damage from this catastrophic event.”

Hisham Mahmoud
Senior Vice President, Regional Business Unit Manager
URS Division
Atlanta, Georgia



RESTORING THE GULF COAST REGION

Cutting brutal paths of destruction, Hurricanes Katrina and Rita devastated much of the U.S. Gulf Coast in 2005. Hundreds of thousands of residents fled their homes to escape some of the greatest recorded storm tides, widespread wind damage and the flooding of New Orleans.

In addition to the tragic human toll, there was unprecedented damage to private property and critical infrastructure, including homes, public facilities, transportation networks, and water supply and treatment systems. For URS, the tragedy was personal. Many of our 550 Gulf Coast employees lost family members, friends or homes.

In the storms' aftermath, URS has been working in tandem with the Federal Emergency Management Agency (FEMA) and other federal, state and local agencies in a massive reconstruction effort. In addition to our local employees, we mobilized more than 600 technical staff from across the U.S. to work on the ongoing recovery effort.

Repairing the levee system in New Orleans was a top priority. The U.S. Army Corps of Engineers selected URS to repair breaches and strengthen the levees in Orleans Parish. Restoring fresh water to the city was an equally important priority. URS joined with city and state agencies to form the New Orleans Water/Wastewater Task Force, whose mission was to repair water treatment plants, storage tanks and pumping stations.

To prevent further destruction to already damaged homes, FEMA launched Operation Blue Roof, placing temporary roofs on these homes. URS inspectors examined thousands of residences, preparing them for the installation of temporary blue tarp roofs.

The hurricanes also dealt a major blow to the oil and gas industry in the Gulf Coast, which is a hub for U.S. refining and petrochemical facilities. Initially, we performed engineering inspections to help restart refineries; now we are involved in hurricane preparedness activities to protect these facilities from future storms. We also are providing program management services for the reconstruction of coastal bridges, another element of the infrastructure vital to the economic recovery of the region.

Recent estimates place the price of property and infrastructure damage and business interruption at more than \$100 billion, making Hurricane Katrina the costliest natural disaster in U.S. history. The federal government has allocated \$85 billion to rebuild the Gulf Coast, and with offices located throughout the region, URS will be dedicated to the reconstruction effort for years to come.

CONSERVING FOR THE FUTURE: EVOLVING ENVIRONMENTAL STANDARDS



“As new regulatory directives are issued to deal with global warming and air and water quality, many of our industrial clients are turning to URS for guidance in meeting stricter environmental standards, both for their existing operations and for the development of new facilities.”

Christine Wolff
Senior Vice President, Managing Director of Continental Europe
URS Division
Hamburg, Germany



Most projects URS undertakes have an environmental component. While our engineering design and construction management skills are essential to a modern, functional society, our environmental expertise is just as important to a project's success.

In virtually every industrialized and developing nation, environmental regulations have been implemented governing the operation of commercial and industrial facilities—from mines and utilities to refineries, pipelines and manufacturing plants. During the 1980s and '90s, much of the focus was on the cleanup and reuse of contaminated industrial sites, and a major portion of URS' practice in those years was performing site assessments and designing remediation programs for contaminated soils and groundwater around industrial facilities.

Today, the emphasis has shifted to pollution prevention, conservation and compliance. We now are at the forefront of helping commercial and industrial companies implement customized environmental management systems aimed at

conserving energy, minimizing waste and reducing environmental liability. We also assist industrial clients with due diligence for the sale or purchase of property. Before being authorized, new facilities must undergo a complex permitting process, and effective eco-restoration programs must be designed to mitigate environmental impacts.

The goal of sustainability is to meet the needs of the present without compromising the ability of future generations to meet their needs. URS helps clients integrate sustainability principles into their operations by developing corporate responsibility strategies that integrate social, economic and environmental concerns. We also design facilities featuring sustainable site development, water savings, energy efficiency and environmentally sound building materials, as well as eco-friendly operations.

As a world leader in environmental services, we are working with multinational companies worldwide to meet evolving and increasingly stringent environmental demands.



- 1 Eagle Island Dredging, Environmental Engineering, Wilmington, North Carolina
- 2 Bishopgate Tower, Environmental Impact Assessment, London, England
- 3 Manapouri Tailrace Tunnel, Project Design, Manapouri, South Island, New Zealand
- 4 El Segundo Power Plant, Environmental and Geotechnical Services, El Segundo, California



“To meet new, stricter air quality regulations, utilities need effective technologies that reduce sulfur dioxide and other emissions resulting from coal-fired power plants. Using an advanced flue gas desulfurization technology, URS is becoming a leader in the growing air-pollution control market for coal-fired power plants.”

Dhamo S. Dhamotharan
Senior Vice President, Division Manager
URS Division
Houston, Texas



THE FUTURE OF CLEAN COAL TECHNOLOGY

Half of the electricity produced in the U.S. today is generated by coal-fired power plants. With more than 245 billion tons of recoverable reserves in the U.S.—about one-fourth of the world's supply—coal is abundant and relatively inexpensive. With the demand for electricity expected to increase more than 50 percent over the next 25 years, the rising cost of natural gas and the need to reduce our reliance on foreign oil, coal is expected to continue to be the country's largest single source of electricity.

New U.S. environmental regulations, such as the Clean Air Interstate Rule and the Clean Air Mercury Rule, are driving the need to install pollution control systems onto existing coal-fired power plants in states throughout the East and Midwest. URS anticipated this need and formed Advatech, LLC, a joint venture with Mitsubishi Heavy Industries, in 2002. We are the managing partner and 60 percent owner of Advatech, which is on the cusp of a large, rapidly emerging environmental market to retrofit power plants with flue gas desulfurization (FGD) scrubber units.

FGD systems are used to reduce sulfur dioxide (SO₂) emissions, as well as particulates, from coal-fired power plants. Advatech has the North American license to one of the most efficient FGD technologies, which combines streamlined design with effective emissions control.

The new regulatory goal is to reduce SO₂ emissions from coal-fired power plants in the U.S. by more than 70 percent from present levels. To meet this goal, over the next 15 years, new FGD scrubbers will need to be installed at 150 to 200 existing plants, at an estimated cost of nearly \$20 billion. The passage of the 2005 New Source Performance Standards requires similar controls for new coal-fired power plants that are likely to be built in the U.S. in the coming years.

Currently, Advatech is retrofitting its scrubber units on power plants operated by the Tennessee Valley Authority, such as the Paradise Power Station in Kentucky (pictured left)—the first plant to be retrofitted by Advatech with this new FGD technology. In addition, Advatech is retrofitting scrubber units at facilities for the Southern Company and other major utilities in the Southeast and Midwest. Although only in its fourth year of operation, Advatech already is highly successful, and our business is expected to continue to grow as we help more utilities meet their emissions requirements.



“In recent years, the total value of annual mined production worldwide has averaged billions of dollars. URS helps mining companies conduct their operations according to sustainable development principles that satisfy demand, while safeguarding the environment for future generations.”

Han Ilhan
Director, Global Mining
URS Division
Denver, Colorado



SUSTAINABLE GROWTH IN THE MINING INDUSTRY

Rapid economic expansion in countries like China, India, Brazil and Russia has intensified the demand for mineral resources. Raw materials such as copper, iron, lead, limestone and phosphate are essential for manufacturing virtually all the products used in modern society. As prices rise to reflect growing demand, the mining industry is experiencing record growth. Mining and the processes required to turn ore into usable materials, like any large-scale industrial activity, raise a number of environmental and social issues. As a result, the mining industry has become highly concerned about its ability to manage its growth in a responsible and sustainable manner, driving the need for the engineering and environmental services URS provides.

During the life of their operations, from exploration to mine closure, we help mining companies maintain high environmental standards that comply with regulatory requirements. URS' engineers design water supply, mine dewatering and water management systems, which decrease negative impacts to community water supplies, while providing adequate water for mining operations. We also design cost-effective tailings impoundments for mine waste to reduce the risk of adverse environmental impacts. For mine closure, we assist in site remediation and cleanup to restore mined land to safe, productive use and decrease current and future environmental liabilities.

URS helps mining companies achieve sustainable development goals that minimize social and environmental impacts and meet stakeholders' expectations. We often play a key role in helping a mining operation achieve community consensus, or a "social license to operate." This often is a fluid arrangement that needs to be maintained through direct engagement with the community, not only during project development, but also through operations and closure.

Growth in the mining sector is expected to continue into the next decade. During this period, URS will continue to assist our mining clients, ensuring that metals and minerals are delivered to the global marketplace, with minimal impact to the environment or the surrounding communities.



“In the past two decades, China has emerged as a major market for international investment. Through the capabilities of our locations in Shanghai, Beijing, and Suzhou, and our global network of offices, URS is able to leverage the expertise of the entire company to serve our multinational clients in China.”

Simon Lee
Vice President, Manager, China Consulting
URS Division
Shanghai, China



PURSuing NEW GROWTH OPPORTUNITIES IN CHINA

In the quarter century since adopting a free market system, China has become the world's fastest growing economy. The country's economic influence and impact on global trade is expected to grow dramatically in the future as the Chinese government continues to open its markets to foreign investment.

As the world's most populous nation, China is an extremely attractive market for multinational corporations. Many of these corporations are URS clients through long-term preferred provider relationships or strategic alliances, commonly known as Master Service Agreements (MSAs). Nearly 75 percent of the work we perform in the private sector is derived from MSAs, and many of the clients we serve through these agreements are entering the Chinese market on a large scale.

As companies have raced to establish research and development centers and manufacturing plants in China, URS has responded with engineering and environmental expertise to enable their quick and efficient development. Today, much of this work involves helping private sector clients meet the regulatory requirements associated with building and operating industrial facilities—from due diligence, compliance audits and permitting to environmental management, pollution control and waste management.

Our comprehensive environmental services, for instance, were used by global chemical giant Rohm and Haas as part of its site selection and preparation process for a new Asia-Pacific research and development center in Shanghai. When Motorola needed assistance complying with industrial wastewater regulations issued by the Chinese government, URS designed a wastewater treatment system upgrade for its Tianjin facility. For Valeo, one of the world's top automotive suppliers, URS provided environmental due diligence services to support its development in the China market. URS completed predevelopment assessments, including the review of environmental and subsurface conditions for various projects in Shanghai, Shenzhen, Changchun, Wenling, Wuhan and Wuxi. We also have conducted environmental, and health and safety audits to verify compliance with Valeo's corporate policies and guidelines.

For many of our multinational clients, China is the future. To augment our environmental capabilities and better serve these clients, in 2005, URS acquired Austin Ausino, a Shanghai-based program and construction management firm. This acquisition will be invaluable in assisting clients anywhere in China with a more comprehensive range of engineering and environmental services. With an evolving presence and added capabilities, URS is poised to maximize our share of multinational investment in the world's fastest moving growth market.

SAFEGUARDING THE FUTURE: HOMELAND SECURITY AND DEFENSE



“Our concept of national security continues to evolve and become more sophisticated. Whether seizing contraband at our borders, training military personnel or preparing response teams for an emergency, URS continues to develop strategies and technology to protect our way of life.”

James Lavender
District Manager, U.S. Customs and Border Protection Services Contract
EG&G Division
San Francisco, California



The events of September 11, 2001, and subsequent attacks in Bali, Madrid and London, have forever changed many of our commonly held assumptions about security. The threat of terrorism has become a fact of everyday life. Today, military operations are being waged on multiple fronts to combat terrorism. But, unlike the Cold War era, today's enemy is far more elusive and unpredictable.

For the U.S. and many of its allies, the War on Terror has prompted a strategic shift in direction, involving new tactics for handling potential terrorist attacks at home and simultaneous outbreaks of hostilities around the globe. In the U.S., spending on defense and homeland security is at an all-time high. For fiscal year 2006, the Department of Defense (DoD) budget is \$454 billion, including \$50 billion in supplemental funding dedicated to military operations in Iraq and Afghanistan. The Department of Homeland Security's (DHS) budget grew to \$41 billion in 2006.

Through both our EG&G and URS Divisions, we have been working with the DoD, the DHS and other government agencies in the U.S. to support

our military and to meet security and defense challenges. Our employees are developing and testing new weapons systems, maintaining ground and aviation equipment, operating military installations, training pilots and destroying stockpiles of weapons of mass destruction. We also work closely with defense organizations in allied countries that share these goals, including the U.K. Ministry of Defence and the Australian Defence Organisation.

We assist clients worldwide, providing antiterrorism and threat assessments for buildings, surface and air transportation networks, and power and water supply systems. In addition, we assist government agencies with border protection initiatives and help prepare communities and businesses for potential disasters, whether natural or man-made.

No one is certain when or where the next threat will emerge, but most experts agree that strengthening our security at home and defeating terrorist networks will be a long-term undertaking. With our expertise in security and defense, URS is prepared to support this mission in the years ahead.



- 1 Engineering and Technical Services, National Radar Cross Section Test Facility, U.S. Air Force
- 2 Support Services for Stowage and Handling of Ships' Fuels, U.S. Navy
- 3 Homeland Security Exercise Programs, U.S. Department of Homeland Security
- 4 Maintenance Services for Ground Vehicles, U.S. Army and U.S. Marine Corps



“Coordinating the emergency response resources of multiple counties into a single regionwide plan is a new concept. Because of our comprehensive planning, emergency response and training expertise, URS is well prepared to direct the Bay Area’s unprecedented emergency plan, which may serve as a prototype for other regions nationwide.”

Lexi Alexander
Managing Director, National Programs, Homeland Security Services
EG&G Division
Arlington, Virginia



A FRESH PERSPECTIVE ON EMERGENCY PREPAREDNESS

Emergencies don't recognize geographic or political boundaries. When a disaster strikes—whether it's an earthquake, a tsunami or a terrorist attack—the devastation often reverberates through an entire region and sometimes beyond.

The San Francisco Bay Area is one of the country's most important economic and cultural centers. The region's natural beauty has attracted more than 7 million residents, but its proximity to the San Andreas and Hayward Faults also places it at a high risk for earthquakes. And, we all live with the threat of terrorism.

In the first effort of its kind, URS is developing an integrated plan to coordinate the entire region's response to disaster. The Bay Area Regional Emergency Coordination Plan is unprecedented in its scope, covering the cities of San Francisco, Oakland and San Jose, as well as the surrounding ten counties.

How will the Bay Area's cities and counties coordinate their efforts across the region during an emergency? How will resources be prioritized? How can federal, state and local agencies work together most effectively? What are the strengths and weaknesses of fire, police, medical, and other emergency services agencies or providers in the region? Throughout the planning process, Bay Area emergency managers will address these issues, suggest how to best share resources in an emergency and set clear procedures for a wide range of scenarios, including potentially catastrophic events.

With years of experience in emergency preparedness and disaster response, URS will direct every phase of the project, from planning and program management through training and implementation. Once completed, the plan will be evaluated through a series of exercises simulating earthquakes and other regional emergencies, with public officials and first responders playing active roles.

Sponsored by state and local emergency management agencies and funded by a grant from the Department of Homeland Security, this first-of-its-kind plan will serve as a blueprint for regional collaboration in other major metropolitan areas. Hopefully, the day will never come when Bay Area officials need to put their plan into action. But, if and when a disaster strikes, the plan will enhance regional preparedness, allowing the Bay Area to respond quickly and decisively.



“In a disaster response environment, critical data is typically in short supply. Unmanned aerial vehicles give incident managers real-time information from the front lines of the disaster—often before anyone can access the area to save lives or confront an emerging threat.”

David Fukutomi
Director, Response and Recovery Programs
EG&G Division
Los Angeles, California



THE NEXT GENERATION OF COMBAT AND SURVEILLANCE

High above a region suspected of terrorist activity, an unmanned Predator spy plane surveys the countryside below, searching for potential threats and transmitting live video to a controller on the ground. What's unusual about this scenario is that the controller is sitting at an Air Force base in the U.S., thousands of miles away. Although the Predator (pictured left), with its futuristic shape and sophisticated capabilities, seems to be from the world of tomorrow, it and other unmanned aerial vehicles (UAVs) are redefining how warfare and surveillance activities are conducted today.

UAVs now are playing an important role in high-tech military arsenals worldwide. Over the next 25 years, the Pentagon plans to expand its unmanned fleet, a decision that has led all branches of the military to accelerate their UAV programs. Total funding for unmanned aircraft is expected to increase to approximately \$10 billion through 2010.

URS is playing an increasing role in these programs, with contributions ranging from development and testing to operational support. For example, our EG&G Division is helping the Army test the new RMAX helicopter UAV. In addition, after converting an ultralight recreational airplane into a UAV, we are testing its effectiveness in detecting nuclear and chemical threats.

URS-designed beddown facilities are housing the Predator and Global Hawk at Air Force bases in California and Nevada. Working side by side with our military forces in the U.S. and overseas, we help maintain and repair the Predator—one of the most prominent UAVs in the War on Terror.

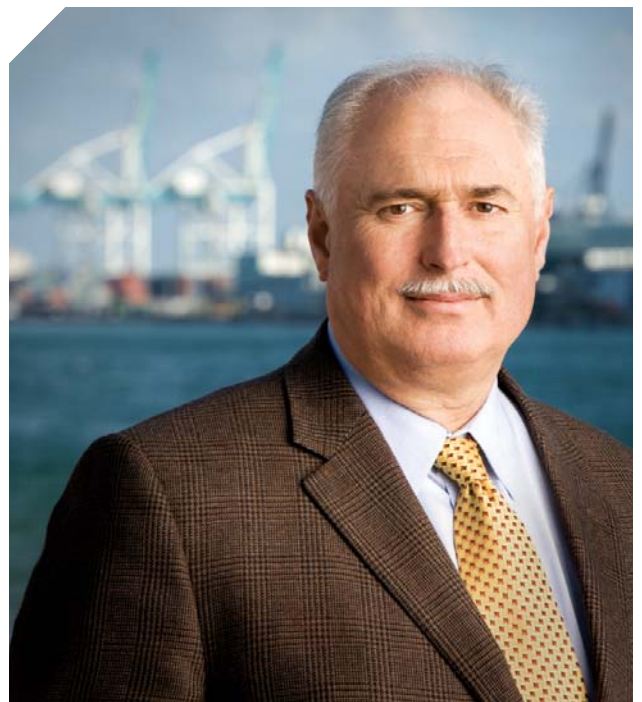
At least a dozen types of UAVs now are in operation in the U.S. fleet, with several others in the development and testing stages. As U.S. and NATO forces begin to deploy new UAVs, the ability to communicate with control stations on the ground and share information with a variety of military organizations becomes essential. The Navy, with assistance from EG&G, is developing and standardizing a common control system to meet this need. To date, the system has been successfully flight tested with Air Force, Army and Navy UAV systems.

Through the development of UAV technology, EG&G is helping the U.S. maintain its technological edge on the 21st century battlefield. With their ability to fly missions in areas too risky for human pilots, UAVs are certain to command a critical position in the U.S. military arsenal today and into the future.



“By 2015, the global Homeland Security Services market is expected to reach \$178 billion, with more than \$80 billion spent in the U.S. alone. URS stands ready to meet this growing demand by helping governments and military organizations optimize their security preparedness programs.”

Jim Underwood (Rear Admiral, USCG, Ret.)
Vice President, Director of Homeland Security Services
EG&G Division
Arlington, Virginia



PROTECTING OUR MARITIME BORDERS

Oceans cover more than two-thirds of the Earth's surface, and more than 80 percent of world trade is transported by water via a complex network of ports. Although maritime trade is vital to the global economy, the oceans also serve as a vast and largely unsecured conduit for potential security threats.

At 12,380 miles, the coastline of the U.S. is the nation's longest border and, potentially, its most vulnerable. The U.S. Coast Guard—the lead federal agency for maritime security—is responsible for maintaining coastal border security and protecting the nation's waterways and more than 350 ports against potential threats, including a terrorist attack using weapons of mass destruction.

Since becoming part of the Department of Homeland Security in 2002, the Coast Guard's traditional role in maritime security has become central to the War on Terror and the nation's safety. Recently, the Coast Guard selected URS' EG&G Division to assist in the development of a National Maritime Exercise Program that will serve as the foundation for all emergency preparedness training for Coast Guard personnel.

EG&G is designing scenarios that simulate a variety of emergencies, ranging from a coordinated terrorist attack to a devastating tsunami, and will be training security teams to respond. Many of the exercises will replicate full-scale disasters and involve the deployment of military personnel, equipment and resources. A critical component of the program is coordination with other federal, state and local agencies, as well as with representatives of maritime organizations, terminal facility managers, shipowners and other stakeholders operating at ports and waterways in the U.S.

Protecting the nation's coastline and ports is critical to securing our homeland. Developing an integrated plan for responding to the myriad of potential threats is the Coast Guard's mission. Security experts at EG&G will be there to help.

OFFICE LOCATIONS

WORLDWIDE

UNITED STATES

Alabama
Alaska
Arizona
Arkansas
California
Colorado
Connecticut
Delaware
District of Columbia
Florida
Georgia
Guam

Hawaii
Idaho
Illinois
Indiana
Iowa
Kansas
Kentucky
Louisiana
Maine
Maryland
Massachusetts
Michigan

Minnesota
Mississippi
Missouri
Montana
Nebraska
Nevada
New Hampshire
New Jersey
New Mexico
New York
North Carolina
Ohio
Oklahoma

Oregon
Pennsylvania
Puerto Rico
Rhode Island
South Carolina
Tennessee
Texas
Utah
Virginia
Washington
West Virginia
Wisconsin

NORTH & SOUTH AMERICA

Argentina
Bolivia
Brazil
Canada
Mexico
Panama

EUROPE

Belgium
France
Germany
Ireland
Italy
Netherlands
Spain
Sweden
United Kingdom

MIDDLE EAST

Azerbaijan
Iraq
Qatar
Saudi Arabia
United Arab Emirates

ASIA-PACIFIC

Australia
China
New Zealand
Singapore
South Korea



CONSOLIDATED SUMMARY OF FINANCIAL STATEMENTS

The following pages contain summary financial data for URS' 2005 fiscal year ended December 30. Complete financial information can be found in our latest Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 15, 2006. Copies of URS' Form 10-K may be obtained without charge by contacting our Investor Relations Department via e-mail at investor_relations@urscorp.com, by calling 877.877.8970 or by accessing the Investor Relations section of the URS Web site at www.urscorp.com.

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SUMMARY OF SELECTED FINANCIAL DATA

The following selected financial data for the year ended December 30, 2005, the two months ended December 31, 2004¹, the two months ended December 31, 2003 (unaudited), and the fiscal years ended October 31, 2004, 2003, 2002, and 2001 is derived from our audited consolidated financial statements and reflects our August 2002 acquisition of EG&G, which was accounted for under the purchase method of accounting. The selected financial data also reflects charges of \$33.1 million, \$28.2 million and \$7.6 million for costs incurred to extinguish our debt during the years ended December 30, 2005, October 31, 2004 and 2002, respectively. You should read the selected financial data presented below in conjunction with the information contained in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," and our consolidated financial statements and the notes thereto contained in Item 8, "Consolidated Financial Statements and Supplementary Data," included in our Annual Report on Form 10-K for the fiscal year ended December 30, 2005.

(In thousands, except per share data)	YEAR ENDED DECEMBER 30,	TWO MONTHS ENDED DECEMBER 31,		YEARS ENDED OCTOBER 31,			
	2005 ¹	2004 ¹	2003 ¹ (UNAUDITED)	2004	2003	2002	2001
Income Statement Data:							
Revenues	\$3,917,565	\$ 566,997	\$ 489,665	\$3,381,963	\$3,186,714	\$2,427,827	\$2,319,350
Direct operating expenses	2,555,538	369,527	314,485	2,140,890	2,005,339	1,489,386	1,393,818
Gross profit	1,362,027	197,470	175,180	1,241,073	1,181,375	938,441	925,532
Indirect, general and administrative expenses	1,187,605	188,400	153,609	1,079,088	999,977	790,099	754,661
Operating income	174,422	9,070	21,571	161,985	181,398	148,342	170,871
Interest expense	31,587	6,787	12,493	60,741	84,564	57,231	66,719
Income before income taxes	142,835	2,283	9,078	101,244	96,834	91,111	104,152
Income tax expense	60,360	1,120	3,630	39,540	38,730	35,940	46,300
Net income	82,475	1,163	5,448	61,704	58,104	55,171	57,852
Preferred stock dividend	—	—	—	—	—	5,939	9,229
Net income after preferred stock dividend	82,475	1,163	5,448	61,704	58,104	49,232	48,623
Less: net income allocated to convertible participating preferred stockholders under the two-class method	—	—	—	—	894	907	11,340
Net income available for common stockholders	\$ 82,475	\$ 1,163	\$ 5,448	\$ 61,704	\$ 57,210	\$ 48,325	\$ 37,283
Earnings per share:							
Basic	\$ 1.76	\$.03	\$.16	\$ 1.58	\$ 1.78	\$ 2.18	\$ 2.14
Diluted	\$ 1.72	\$.03	\$.16	\$ 1.53	\$ 1.76	\$ 2.03	\$ 1.94

(In thousands)	AS OF DECEMBER 30,	AS OF DECEMBER 31,		AS OF OCTOBER 31,			
	2005 ¹	2004 ¹	2003 ¹ (UNAUDITED)	2004	2003	2002	2001
Balance Sheet Data							
Total assets	\$2,469,448	\$2,307,748	\$2,219,319	\$2,275,045	\$2,193,723	\$2,251,905	\$1,485,434
Total long-term debt	\$ 297,913	\$ 508,584	\$ 801,460	\$ 502,118	\$ 788,708	\$ 925,265	\$ 576,704
Preferred stock	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 46,733	\$ 120,099
Stockholders' equity	\$1,344,504	\$1,082,121	\$ 771,941	\$1,067,224	\$ 765,073	\$ 633,852	\$ 322,502

Refer to the URS 2005 Annual Report on Form 10-K for a complete set of consolidated financial statements and their accompanying notes, which are an integral part of the above condensed statements.

¹ Effective January 1, 2005, we adopted a 52/53 week fiscal year ending on the Friday closest to December 31, with interim quarters ending on the Fridays closest to March 31, June 30, and September 30. We filed a transition report on Form 10-Q with the SEC for the two months ended December 31, 2004. Our 2005 fiscal year began on January 1, 2005 and ended on December 30, 2005.

URS CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(In thousands, except per share data)

DECEMBER 30, 2005

DECEMBER 31, 2004

Assets

Current assets:

Cash and cash equivalents, including \$61,319 and \$59,175 of short-term money market funds, respectively	\$ 101,545	\$ 108,007
Accounts receivable, including retainage of \$37,280 and \$43,844, respectively	630,340	579,953
Costs and accrued earnings in excess of billings on contracts in process	513,943	400,418
Less receivable allowances	(44,293)	(38,719)
Net accounts receivable	1,099,990	941,652
Deferred tax assets	18,676	24,682
Prepaid expenses and other assets	52,849	26,061
Total current assets	1,273,060	1,100,402
Property and equipment at cost, net	146,470	142,907
Goodwill	986,631	1,004,680
Purchased intangible assets, net	5,379	7,749
Other assets	57,908	52,010
	\$2,469,448	\$2,307,748

Liabilities and Stockholders' Equity

Current liabilities:

Book overdraft	\$ 1,547	\$ 70,871
Notes payable and current portion of long-term debt	20,647	48,338
Accounts payable and subcontractors payable, including retainage of \$13,323 and \$13,302, respectively	288,561	144,435
Accrued salaries and wages	196,825	171,004
Accrued expenses and other	82,404	59,914
Billings in excess of costs and accrued earnings on contracts in process	108,637	84,393
Total current liabilities	698,621	578,955
Long-term debt	297,913	508,584
Deferred tax liabilities	19,785	40,373
Other long-term liabilities	108,625	97,715
Total liabilities	1,124,944	1,225,627

Commitments and contingencies

Stockholders' equity:

Preferred stock, authorized 3,000 shares; no shares outstanding		
Common shares, par value \$.01; authorized 100,000 shares; 50,432 and 43,838 shares issued, respectively; and 50,380 and 43,786 shares outstanding, respectively	504	438
Treasury stock, 52 shares at cost	(287)	(287)
Additional paid-in capital	925,087	734,842
Accumulated other comprehensive income (loss)	(3,985)	6,418
Retained earnings	423,185	340,710
Total stockholders' equity	1,344,504	1,082,121
	\$2,469,448	\$2,307,748

Refer to the URS 2005 Annual Report on Form 10-K for a complete set of consolidated financial statements and their accompanying notes, which are an integral part of the above condensed statements.

URS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

	YEAR ENDED DECEMBER 30,	TWO MONTHS ENDED, DECEMBER 31,		YEARS ENDED OCTOBER 31,	
(In thousands, except per share data)	2005	2004	2003 (UNAUDITED)	2004	2003
Revenues	\$3,917,565	\$566,997	\$489,665	\$3,381,963	\$3,186,714
Direct operating expenses	2,555,538	369,527	314,485	2,140,890	2,005,339
Gross profit	1,362,027	197,470	175,180	1,241,073	1,181,375
Indirect, general and administrative expenses	1,187,605	188,400	153,609	1,079,088	999,977
Operating income	174,422	9,070	21,571	161,985	181,398
Interest expense	31,587	6,787	12,493	60,741	84,564
Income before income taxes	142,835	2,283	9,078	101,244	96,834
Income tax expense	60,360	1,120	3,630	39,540	38,730
Net income	82,475	1,163	5,448	61,704	58,104
Other comprehensive income (loss):					
Minimum pension liability adjustments, net of tax (benefit)	(4,493)	4,141	—	(2,189)	(1,896)
Foreign currency translation adjustments	(5,910)	1,882	(48)	3,490	6,122
Comprehensive income	\$ 72,072	\$ 7,186	\$ 5,400	\$ 63,005	\$ 62,330
Net income	\$ 82,475	\$ 1,163	\$ 5,448	\$ 61,704	\$ 58,104
Less: net income allocated to convertible participating preferred stockholders under the two-class method	—	—	—	—	894
Net income available for common stockholders	\$ 82,475	\$ 1,163	\$ 5,448	\$ 61,704	\$ 57,210
Earnings per share:					
Basic	\$ 1.76	\$.03	\$.16	\$ 1.58	\$ 1.78
Diluted	\$ 1.72	\$.03	\$.16	\$ 1.53	\$ 1.76
Weighted-average shares outstanding:					
Basic	46,742	43,643	33,682	39,123	32,184
Diluted	47,826	45,313	34,782	40,354	32,538

Refer to the URS 2005 Annual Report on Form 10-K for a complete set of consolidated financial statements and their accompanying notes, which are an integral part of the above condensed statements.

URS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

(In thousands)	COMMON STOCK		TREASURY STOCK	ADDITIONAL PAID-IN CAPITAL	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	RETAINED EARNINGS	TOTAL STOCKHOLDERS' EQUITY
	SHARES	AMOUNT					
Balances, October 31, 2002	30,084	\$301	\$(287)	\$418,705	\$(5,132)	\$220,265	\$ 633,852
Employee stock purchases	931	9	—	13,432	—	—	13,441
Tax benefit of stock options	—	—	—	12	—	—	12
Conversion of preferred stock to common shares	2,107	21	—	46,712	—	—	46,733
Issuance of over-allotment of common shares in connection with the conversion of preferred stock	480	5	—	8,700	—	—	8,705
Quasi-reorganization NOL carryforward	—	—	—	263	—	(263)	—
Minimum pension liability adjustments	—	—	—	—	(1,896)	—	(1,896)
Foreign currency translation adjustments	—	—	—	—	6,122	—	6,122
Net income	—	—	—	—	—	58,104	58,104
Balances, October 31, 2003	33,602	336	(287)	487,824	(906)	278,106	765,073
Employee stock purchases	1,838	18	—	30,725	—	—	30,743
Tax benefit of stock options	—	—	—	4,117	—	—	4,117
Issuance of common shares	8,102	81	—	204,205	—	—	204,286
Quasi-reorganization NOL carryforward	—	—	—	263	—	(263)	—
Minimum pension liability adjustments, net of tax benefit of \$1,829	—	—	—	—	(2,189)	—	(2,189)
Foreign currency translation adjustments	—	—	—	—	3,490	—	3,490
Net income	—	—	—	—	—	61,704	61,704
Balances, October 31, 2004	43,542	435	(287)	727,134	395	339,547	1,067,224
Employee stock purchases	244	3	—	6,243	—	—	6,246
Tax benefit of stock options	—	—	—	1,465	—	—	1,465
Minimum pension liability adjustments, net of tax of \$2,670	—	—	—	—	4,141	—	4,141
Foreign currency translation adjustments	—	—	—	—	1,882	—	1,882
Net income	—	—	—	—	—	1,163	1,163
Balances, December 31, 2004	43,786	438	(287)	734,842	6,418	340,710	1,082,121
Employee stock purchases	2,594	26	—	45,065	—	—	45,091
Tax benefit of stock options	—	—	—	14,969	—	—	14,969
Issuance of common shares	4,000	40	—	130,211	—	—	130,251
Minimum pension liability adjustments, net of tax benefit of \$4,769	—	—	—	—	(4,493)	—	(4,493)
Foreign currency translation adjustments	—	—	—	—	(5,910)	—	(5,910)
Net income	—	—	—	—	—	82,475	82,475
Balances, December 30, 2005	50,380	\$504	\$(287)	\$925,087	\$(3,985)	\$423,185	\$1,344,504

Refer to the URS 2005 Annual Report on Form 10-K for a complete set of consolidated financial statements and their accompanying notes, which are an integral part of the above condensed statements.

URS CORPORATION AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF CASH FLOWS

	YEAR ENDED DECEMBER 30,	TWO MONTHS ENDED DECEMBER 31,		YEARS ENDED OCTOBER 31,	
(In thousands)	2005	2004	2003 (UNAUDITED)	2004	2003
Cash flows from operating activities:					
Net income	\$ 82,475	\$ 1,163	\$ 5,448	\$ 61,704	\$ 58,104
Adjustments to reconcile net income to net cash from operating activities:					
Depreciation and amortization	38,548	6,909	7,200	41,407	43,988
Amortization of financing fees	3,777	978	1,343	6,772	7,496
Costs incurred for extinguishment of debt	33,131	—	—	28,165	—
Provision for doubtful accounts	10,094	2,673	1,082	14,777	8,822
Deferred income taxes	8,721	827	674	(4,746)	18,790
Stock compensation	6,148	1,058	398	4,119	4,187
Tax benefit of stock compensation	14,969	1,465	200	4,117	12
Changes in assets and liabilities:					
Accounts receivable and costs and accrued earnings in excess of billings on contracts in process	(161,632)	7,713	(29,312)	(80,646)	41,846
Prepaid expenses and other assets	(30,441)	(4,321)	(1,885)	1,553	(1,047)
Accounts payable, accrued salaries and wages and accrued expenses	179,525	(16,359)	(28,527)	23,618	(1,187)
Billings in excess of costs and accrued earnings on contracts in process	22,453	4,919	5,411	(3,528)	(9,233)
Other long-term liabilities	10,842	2,174	(250)	(882)	226
Other liabilities, net	(18,173)	5,800	(1,317)	(910)	5,078
Total adjustments and changes	117,962	13,836	(44,983)	33,816	118,978
Net cash from operating activities	200,437	14,999	(39,535)	95,520	177,082
Cash flows from investing activities:					
Payment for business acquisition	(1,367)	—	—	—	—
Proceeds from disposal of property and equipment	2,236	—	—	—	—
Capital expenditures, less equipment purchased through capital leases	(23,010)	(1,597)	(2,830)	(19,016)	(18,246)
Net cash from investing activities	(22,141)	(1,597)	(2,830)	(19,016)	(18,246)
Cash flows from financing activities:					
Long-term debt principal payments	(578,131)	(990)	(275)	(298,950)	(118,413)
Long-term debt borrowings	351,410	21	20	26,526	212
Net borrowings (payments) under lines of credit	(18,023)	12,750	20,038	5,249	(27,259)
Net change in book overdraft	(69,324)	10,589	24,007	30,011	(12,985)
Capital lease obligations payments	(13,354)	(3,724)	(2,214)	(14,643)	(14,594)
Short-term note borrowings	2,035	1,583	—	1,540	1,257
Short-term note payments	(4,514)	(79)	(6)	(1,580)	(1,413)
Proceeds from common stock offering, net of related expenses	130,251	—	—	204,286	—
Proceeds from sale of common shares from employee stock purchase plan and exercise of stock options	38,942	5,188	871	26,624	17,849
Tender and call premiums paid for debt extinguishment	(19,426)	—	—	(19,688)	—
Payment of financing fees	(4,624)	—	(1,607)	(2,887)	—
Net cash from financing activities	(184,758)	25,338	40,834	(43,512)	(155,346)
Net increase (decrease) in cash and cash equivalents	(6,462)	38,740	(1,531)	32,992	3,490
Cash and cash equivalents at beginning of year	108,007	69,267	36,275	36,275	32,785
Cash and cash equivalents at end of year	\$101,545	\$108,007	\$ 34,744	\$ 69,267	\$ 36,275
Supplemental information:					
Interest paid	\$ 29,974	\$ 4,982	\$ 17,268	\$ 66,629	\$ 63,414
Taxes paid	\$ 48,422	\$ 10,217	\$ 251	\$ 36,797	\$ 17,180
Equipment acquired with capital lease obligations	\$ 20,270	\$ 3,541	\$ 148	\$ 11,098	\$ 15,712
Conversion of Series D preferred stock to common shares	\$ —	\$ —	\$ —	\$ —	\$ 46,733

Refer to the URS 2005 Annual Report on Form 10-K for a complete set of consolidated financial statements and their accompanying notes, which are an integral part of the above condensed statements.

REPORTS OF MANAGEMENT AND INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Management assessed our internal control over financial reporting as of December 30, 2005, the end of our fiscal year. Management based its assessment on criteria established in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Management's assessment included evaluation and testing of the design and operating effectiveness of key financial reporting controls, process documentation, accounting policies, and our overall control environment.

Based on our assessment, management has concluded that our internal control over financial reporting was effective as of December 30, 2005. We communicated the results of management's assessment to the Audit Committee of our Board of Directors.

Our independent registered public accounting firm, PriceWaterhouseCoopers LLP, audited management's assessment of the effectiveness of the Company's internal control over financial reporting at December 30, 2005 as stated in their report appearing on pages 36 and 37.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of URS Corporation:

We have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements of URS Corporation and its subsidiaries (the "Company") as of December 30, 2005 and December 31, 2004, and for each of the years ended December 30, 2005, October 31, 2004 and October 31, 2003 and the two-month period ended December 31, 2004, management's assessment of the effectiveness of the Company's internal control over financial reporting as of December 30, 2005 and the effectiveness of the Company's internal control over financial reporting as of December 30, 2005; and in our report dated March 13, 2006, we expressed unqualified opinions thereon. The consolidated financial statements referred to above (not presented herein) appear under Item 8 of the Company's Annual Report on Form 10-K for the year ended December 30, 2005.

Condensed Consolidated Financial Statements

In our opinion, the information set forth in the accompanying condensed consolidated financial statements is fairly stated, in all material respects, in relation to the consolidated financial statements from which it has been derived.

Internal Control Over Financial Reporting

Also, in our opinion, management's assessment, included in the accompanying Management's Report on Internal Control Over Financial Reporting, that the Company maintained effective internal control over financial reporting as of December 30, 2005 based on criteria established in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), is fairly stated, in all material respects, based on those criteria. Furthermore, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 30, 2005, based on criteria established in *Internal Control-Integrated Framework* issued by the COSO. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express opinions on management's assessment and on the effectiveness of the Company's internal control over financial reporting based on our audit. We conducted our audit of internal control over financial reporting in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. An audit of internal control over financial reporting includes obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP

San Francisco, California

March 13, 2006

CORPORATE DIRECTORY

DIRECTORS

Martin M. Koffel

Chairman of the Board
and Chief Executive Officer

H. Jesse Arnelle

Formerly Of Counsel,
Womble, Carlyle,
Sandridge and Rice

Betsy J. Bernard

President, AT&T (Ret.)

Armen Der Marderosian

President and CEO,
GTE Government Systems
Corporation (Ret.)

Mickey P. Foret

Executive Vice President
and Chief Financial Officer,
Northwest Airlines, Inc. (Ret.)

Joseph W. Ralston

General, U.S. Air Force (Ret.)
Vice Chairman,
The Cohen Group

John D. Roach

Chairman and
Chief Executive Officer,
Stonegate International

William D. Walsh

Chairman,
Sequoia Associates, LLC

CORPORATE OFFICERS

Martin M. Koffel

Chairman of the Board
and Chief Executive Officer

Kent P. Ainsworth

Executive Vice President,
Chief Financial Officer
and Secretary
(through March 2006)

H. Thomas Hicks

Vice President and
Chief Financial Officer
(from March 2006)

Thomas W. Bishop

Senior Vice President,
West and Construction
Services Division and
Vice President, Strategy

Reed N. Brimhall

Vice President,
Controller and
Chief Accounting Officer

Gary V. Jandegian

President, URS Division,
Vice President

Susan B. Kilgannon

Vice President,
Communications

Thomas J. Lynch

Vice President,
Information Technology

Joseph Masters

Vice President,
General Counsel
(Secretary from
March 2006)

Olga Perković

Vice President,
Corporate Planning

Judy L. Rodgers

Vice President,
Treasurer

Irwin L. Rosenstein

Chairman, URS Division,
Vice President

Randall A. Wotring

President, EG&G Division,
Vice President

Carol J. Brummerstedt

Assistant Secretary

Maria N.F. Seto

Controller,
Financial Reporting

Wayne H. Silva

Director, Internal Audit

URS DIVISION

OPERATING MANAGEMENT

Gary V. Jandegian

President

Irwin L. Rosenstein

Chairman

Thomas W. Bishop

Senior Vice President,
West and Construction
Services Division

Dhamo S. Dhamotharan

Senior Vice President,
East Division

Robert M. Gallen

Senior Vice President,
Special Programs

Jean-Yves Perez

Executive Vice President,
Private Sector Business
Development

Michael C. Richards

Senior Vice President,
International Division

Martin S. Tanzer

Executive Vice President,
Public Sector Business
Development

EG&G DIVISION

OPERATING MANAGEMENT

Randall A. Wotring

President

Edward A. Katkic

Vice President,
Plans and Programs

Milton T. Martin

Vice President and
General Manager,
Aerospace Technical
Services Group

Alan B. Weakley

Vice President and
General Manager,
Engineering and
Technology Services
Group

Thomas T. Wrenn

Vice President,
Marketing and
Development

CORPORATE INFORMATION

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e-mail: investor_relations@urscorp.com

Web site: www.urscorp.com

Independent Registered Public Accounting Firm

PricewaterhouseCoopers LLP

Registrar and Transfer Agent

Mellon Investor Services LLC
P.O. Box 3315
South Hackensack, NJ 07606
or
480 Washington Boulevard
Jersey City, NJ 07310-1900
800.874.1991

TDD for Hearing Impaired: 800.231.5469
Foreign Stockholders: 201.680.6578
TDD for Foreign Stockholders: 201.680.6610
www.melloninvestor.com/isd

Corporate Counsel

Cooley Godward LLP

Form 10-K

Copies of our Annual Report on Form 10-K for the fiscal year ended December 30, 2005, as filed with the Securities and Exchange Commission, may be obtained without charge. Requests should be sent to our Investor Relations Department via e-mail at investor_relations@urscorp.com or by calling 877.877.8970. The Form 10-K also can be accessed on the URS Web site at www.urscorp.com.

The certifications required by Section 302 of the Sarbanes-Oxley Act of 2002 were filed as exhibits to the Form 10-K.

Annual Meeting

The Annual Meeting of Stockholders of URS Corporation will be held at 8:30 A.M. on Thursday, May 25, 2006, at the offices of Cooley Godward LLP, 101 California Street, 5th Floor, San Francisco, California.

New York Stock Exchange Certification

Our Chief Executive Officer certified to the New York Stock Exchange that, as of March 24, 2005, he was not aware of any violation by URS of New York Stock Exchange corporate governance listing standards.

Stock Listing

The shares of our common stock are listed on the New York Stock Exchange and the Pacific Exchange (under the symbol *URS*). As of April 7, 2006, we had approximately 3,900 stockholders of record. The following table sets forth the low and high closing sale prices of our common stock, as reported by *The Wall Street Journal*, for the periods indicated.

Fiscal Period:	Market Price	
	Low	High
2004:		
First Quarter	\$21.87	\$28.07
Second Quarter	\$25.44	\$30.72
Third Quarter	\$22.35	\$27.73
Fourth Quarter	\$22.75	\$27.60
Two months ended December 31	\$27.42	\$32.10
2005:		
First Quarter	\$27.21	\$31.53
Second Quarter	\$28.15	\$37.73
Third Quarter	\$36.45	\$40.39
Fourth Quarter	\$37.06	\$43.29
2006:		
First Quarter	\$38.26	\$44.75

We have not paid cash dividends since 1986, and, at the present time, we do not anticipate paying dividends on our outstanding common stock in the near future. In addition, we are precluded from paying dividends on our outstanding common stock pursuant to our New Credit Facility with our lender and the indentures governing our 11½% Senior Notes. Please refer to Note 5, "Current and Long-Term Debt" and Note 9, "Stockholders' Equity" to our "Consolidated Financial Statements and Supplementary Data" included in our Annual Report on Form 10-K for the fiscal year ended December 30, 2005.

Information about our equity compensation plans can be found under the caption "Equity Compensation Plan Information" in our definitive proxy statement for the Annual Meeting of Stockholders to be held on May 25, 2006.

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