

FLUOR CORP  
Form 10-K  
February 17, 2017

Use these links to rapidly review the document

[TABLE OF CONTENTS](#)

[FLUOR CORPORATION INDEX TO CONSOLIDATED FINANCIAL STATEMENTS](#)

[Table of Contents](#)

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**Form 10-K**

þ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2016

or

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from

to

Commission file number: 1-16129

**FLUOR CORPORATION**

*(Exact name of registrant as specified in its charter)*

**Delaware**

*(State or other jurisdiction of  
incorporation or organization)*

**33-0927079**

*(I.R.S. Employer  
Identification No.)*

**6700 Las Colinas Boulevard**

**Irving, Texas**

*(Address of principal executive offices)*

**75039**

*(Zip Code)*

**469-398-7000**

*(Registrant's telephone number, including area code)*

**Securities registered pursuant to Section 12(b) of the Act:**

**Title of Each Class**

Common Stock, \$.01 par value per share

**Name of Each Exchange on Which Registered**

New York Stock Exchange

**Securities registered pursuant to Section 12(g) of the Act:**

None

## Edgar Filing: FLUOR CORP - Form 10-K

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes  No

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As of June 30, 2016, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was approximately \$6.8 billion based on the closing sale price as reported on the New York Stock Exchange.

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

Class	Outstanding at February 13, 2017
Common Stock, \$.01 par value per share	139,355,412 shares

### DOCUMENTS INCORPORATED BY REFERENCE

Document	Parts Into Which Incorporated
Portions of the Proxy Statement for the Annual Meeting of Stockholders to be held on May 4, 2017 (Proxy Statement)	Part III

---

Table of Contents

**FLUOR CORPORATION**  
**INDEX TO ANNUAL REPORT ON FORM 10-K**  
**For the Fiscal Year Ended December 31, 2016**

		<b>Page*</b>
<b><u>PART I</u></b>		
<u>Item 1.</u>	<u>Business</u>	<u>1</u>
<u>Item 1A.</u>	<u>Risk Factors</u>	<u>14</u>
<u>Item 1B.</u>	<u>Unresolved Staff Comments</u>	<u>30</u>
<u>Item 2.</u>	<u>Properties</u>	<u>30</u>
<u>Item 3.</u>	<u>Legal Proceedings</u>	<u>31</u>
<u>Item 4.</u>	<u>Mine Safety Disclosures</u>	<u>31</u>
<b><u>PART II</u></b>		
<u>Item 5.</u>	<u>Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	<u>32</u>
<u>Item 6.</u>	<u>Selected Financial Data</u>	<u>33</u>
<u>Item 7.</u>	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>34</u>
<u>Item 7A.</u>	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>51</u>
<u>Item 8.</u>	<u>Financial Statements and Supplementary Data</u>	<u>52</u>
<u>Item 9.</u>	<u>Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>	<u>52</u>
<u>Item 9A.</u>	<u>Controls and Procedures</u>	<u>52</u>
<u>Item 9B.</u>	<u>Other Information</u>	<u>55</u>
<b><u>PART III</u></b>		
<u>Item 10.</u>	<u>Directors, Executive Officers and Corporate Governance</u>	<u>55</u>
<u>Item 11.</u>	<u>Executive Compensation</u>	<u>56</u>
<u>Item 12.</u>	<u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	<u>56</u>
<u>Item 13.</u>	<u>Certain Relationships and Related Transactions, and Director Independence</u>	<u>56</u>
<u>Item 14.</u>	<u>Principal Accountant Fees and Services</u>	<u>56</u>
<b><u>PART IV</u></b>		
<u>Item 15.</u>	<u>Exhibits and Financial Statement Schedules</u>	<u>57</u>
<u>Signatures</u>		<u>61</u>

Table of Contents

**Forward-Looking Information**

From time to time, Fluor® Corporation makes certain comments and disclosures in reports and statements, including this annual report on Form 10-K, or statements are made by its officers or directors, that, while based on reasonable assumptions, may be forward-looking in nature. Under the Private Securities Litigation Reform Act of 1995, a "safe harbor" may be provided to us for certain of these forward-looking statements. We wish to caution readers that forward-looking statements, including disclosures which use words such as the company "believes," "anticipates," "expects," "estimates" and similar statements are subject to various risks and uncertainties which could cause actual results of operations to differ materially from expectations.

Any forward-looking statements that we may make are based on our current expectations and beliefs concerning future developments and their potential effects on us. There can be no assurance that future developments affecting us will be those anticipated by us. Any forward-looking statements are subject to the risks, uncertainties and other factors that could cause actual results of operations, financial condition, cost reductions, acquisitions, dispositions, financing transactions, operations, expansion, consolidation and other events to differ materially from those expressed or implied in such forward-looking statements.

Due to known and unknown risks, our actual results may differ materially from our expectations or projections. While most risks affect only future cost or revenue anticipated by us, some risks may relate to accruals that have already been reflected in earnings. Our failure to receive payments of accrued revenue or to incur liabilities in excess of amounts previously recognized could result in a charge against future earnings. As a result, the reader is cautioned to recognize and consider the inherently uncertain nature of forward-looking statements and not to place undue reliance on them.

These factors include those referenced or described in this Annual Report on Form 10-K (including in "Item 1A. Risk Factors"). We cannot control such risk factors and other uncertainties, and in many cases, we cannot predict the risks and uncertainties that could cause our actual results to differ materially from those indicated by the forward-looking statements. You should consider these risks and uncertainties when you are evaluating us and deciding whether to invest in our securities. Except as otherwise required by law, we undertake no obligation to publicly update or revise our forward-looking statements, whether as a result of new information, future events or otherwise.

**Defined Terms**

Except as the context otherwise requires, the terms "Fluor" or the "Registrant" as used herein are references to Fluor Corporation and its predecessors and references to the "company," "we," "us," or "our" as used herein shall include Fluor Corporation, its consolidated subsidiaries and joint ventures.

**PART I**

**Item 1. Business**

Fluor Corporation was incorporated in Delaware on September 11, 2000 prior to a reverse spin-off transaction involving the company's coal business. However, through our predecessors, we have been in business for over a century. Our principal executive offices are located at 6700 Las Colinas Boulevard, Irving, Texas 75039, and our telephone number is (469) 398-7000.

Our common stock currently trades on the New York Stock Exchange under the ticker symbol "FLR".

Fluor Corporation is a holding company that owns the stock of a number of subsidiaries, as well as interests in joint ventures. Acting through these entities, we are one of the largest professional services firms providing engineering, procurement, construction, fabrication and modularization, commissioning and maintenance as well as project management services on a global basis. We are an integrated solutions provider for our clients in a diverse set of industries worldwide including oil and gas, chemicals and petrochemicals, mining and metals, transportation, power, life sciences and advanced manufacturing. We are also a service provider to the U.S. federal government and governments abroad; and we perform

Table of Contents

operations, maintenance and asset integrity activities globally for major industrial clients. We have been ranked number one in the engineering and construction industry of *Fortune Magazine's* "World's Most Admired Companies®" for the past five years in a row, and we are ranked by *Engineering News-Record* as number one in their 2016 list of Top 100 Contractors. We were also named to *Forbes'* inaugural JUST100® list, where top companies are ranked by how they perform on issues that most concern Americans.

In 2016, we realigned our business into four principal segments. The four segments are Energy, Chemicals & Mining; Industrial, Infrastructure & Power; Maintenance, Modification & Asset Integrity (sometimes referred to herein as "MMAI"); and Government. Fluor Constructors International, Inc., which is organized and operates separately from the rest of our business, provides unionized management and construction services in the United States and Canada, both independently and as a subcontractor on projects in each of our segments. Financial information on our segments, as defined under accounting principles generally accepted in the United States, is set forth on page F-40 of this annual report on Form 10-K under the caption "Operating Information by Segment," which is incorporated herein by reference.

**Competitive Strengths**

As an integrated world class solutions provider of engineering, procurement, construction, fabrication, maintenance and project management services, we believe that our business model allows us the opportunity to bring to our clients on a global basis capital efficient business offerings that combine excellence in execution, safety, cost containment and experience. In that regard, we believe that our business strategies, which are based on certain of our core competencies, provide us with some significant competitive advantages:

*Excellence in Execution* Given our proven track record of project completion and client satisfaction, we believe that our ability to design, engineer, construct, commission and manage complex projects often in geographically challenging locations gives us a distinct competitive advantage. We strive to complete our projects meeting or exceeding all client specifications. In an increasingly competitive environment, we are also continually emphasizing cost and schedule controls so that we meet our clients' performance requirements as well as their schedule and budgetary needs.

*Financial Strength* We believe that we are among the most financially sound companies in our industry. We strive to maintain a solid financial condition, placing an emphasis on having a strong balance sheet and an investment grade credit rating. Our financial strength provides us a valuable competitive advantage in terms of access to surety bonding capacity and letters of credit which are critical to our business. Our strong balance sheet also allows us to fund our strategic initiatives, pay dividends, repurchase stock, pursue opportunities for growth and better manage unanticipated cash flow variations.

*Safety* One of our core values and a fundamental business strategy is our constant pursuit of safety. The maintenance of a safe and secure workplace is a key business driver for us and our clients. In the areas in which we provide our services, we strive to deliver excellent safety performance. In our experience, whether in an office or at a job-site, a safe environment decreases risks, assures a proper environment for all workers, enhances their morale and improves their productivity, reduces project cost and generally improves client relations. We believe that our commitment to safety is one of our most distinguishing features.

*Global Execution Platform* As one of the largest U.S.-based, publicly-traded engineering, procurement, construction, fabrication and maintenance companies, we have a global footprint with employees situated throughout the world. Our global presence allows us to build local relationships that permit us to capitalize on opportunities near these locations. It also allows us to mobilize quickly to project sites around the world and to draw on our local knowledge and talent pools. In many of the countries where we work, clients are requiring more local content in their projects by mandating use of in-country talent and procurement of in-country goods and services. To meet these challenges, we continue to expand our footprint in growth regions by establishing local offices, forming strategic alliances with local partners,

Table of Contents

leveraging our supply chain expertise and emphasizing local training programs. We also continue to expand the scope of services in our distributed execution centers where we can continue to provide superior services on a very cost-efficient basis.

*Market Diversity* The company serves multiple markets across a broad spectrum of industries across the globe and offers a wide variety of engineering, procurement, construction, fabrication and modularization, commissioning and maintenance services. We feel that our market diversity is a key strength of our company that helps to mitigate the impact of the cyclical nature in the markets we serve. Just as important, our concentrated attention on market diversification allows us to achieve more consistent growth and deliver solid returns. We believe that our continued strategy of maintaining a good mixture within our entire business portfolio permits us to both focus on our more stable business markets and to capitalize on developing our cyclical markets when the timing is appropriate. This strategy also allows us to better weather any downturns in a specific market by emphasizing markets that are strong.

*Client Relationships* Our culture is based on putting the customer at the center of everything we do. We actively pursue relationships with new clients while at the same time building on our long-term relationships with existing clients. We continue to believe that long-term relationships with existing, sometimes decades-old, clients serves us well by allowing us to better understand and be more responsive to their requirements. Regardless of whether our clients are new or have been with us for many years, our ability to successfully foster relationships is a key driver to the success of our business.

*Risk Management* We believe that our ability to assess, understand, gauge, mitigate and manage project risk, especially in difficult locations or circumstances or in a complicated contracting environment, provides us with a proven ability to deliver the project certainty our clients demand. We have an experienced management team, and utilize a systematic and disciplined approach towards managing risks. We believe that our comprehensive risk management approach allows us to better control costs and schedule, which in turn leads to clients who are satisfied with the delivered product.

*Integrated Solutions* Through our integrated solutions offering, we can deliver to clients our broad range of engineering, procurement, construction, fabrication, equipment services, maintenance and management services and offerings in an integrated package. This approach spans the entire lifecycle of a project from initial scoping and front end engineering to construction, fabrication, equipment and supply chain to post-completion operations and maintenance thereby allowing us to bring our full breadth of resources to better solve client challenges and create opportunities. Our integrated solutions approach allows us to exercise better overall control of a project, in collaboration with our clients, which in turn results in more predictable and profitable results while enhancing the value, safety and efficiencies we can bring to a project. We believe we are one of the few industry players who have the capability to deliver integrated solutions to our client, which we believe is a clear differentiator for us.

**General Operations**

Our services fall into six broad categories: engineering and design, procurement, construction, fabrication, maintenance, modification and asset integrity and project management. We offer these services both independently as well as through our integrated solutions offerings. Our services can range from basic consulting activities, often at the early stages of a project, to complete design-build and maintenance contracts.

In engineering and design, we develop solutions to address our clients' most complex problems on a cost-effective basis. Our engineering services range from traditional engineering disciplines such as piping, mechanical, electrical, control systems, civil, structural and architectural to advanced engineering specialties including process engineering, chemical engineering, simulation, enterprise integration, integrated automation processes and interactive 3-D modeling. Through our design solutions, we provide clients with a varied group of service offerings which can include front-end engineering, conceptual design, estimating, feasibility studies, permitting, process simulation, technology and licensing evaluation, scope definition and siting. Our engineering and design

Table of Contents

solutions are intended to align each project's function, scope, cost and schedule in concert with client objectives in order to best optimize project success.

Our procurement organization offers traditional procurement services as well as supply chain solutions aimed at improving product quality and performance while also reducing project cost and schedule. Our clients benefit from our global sourcing and supply expertise, global purchasing power, technical knowledge, processes, systems and experienced global resources. Our traditional procurement activities include strategic sourcing, material management, contracts management, buying, expediting, supplier quality inspection and logistics.

In construction, we mobilize, execute, commission and demobilize projects on a self-perform or subcontracted basis. Generally, we are responsible for the completion of a project, often in difficult locations and under challenging circumstances. We are frequently designated as a program manager, where a client has facilities in multiple locations, complex phases in a single project location, or a large-scale investment in a facility. Depending upon the project, we often serve as the primary contractor or we may act as a subcontractor to another party.

We also provide a variety of fabrication and modularization services, including integrated engineering and modular fabrication and assembly, modular construction and asset support services to customers around the globe from our joint venture yards in Mexico, Russia and Canada. In addition, in early 2016, we commenced operations of our new fabrication joint venture entity with Chinese Offshore Oil Exploration Company. Known as COOEC Fluor Heavy Industries Co., Ltd. ("CFHI"), this joint venture provides us with the ability to produce cost effective and very large fabrication solutions, in a world-class, state-of-art facility located near Zhuhai, China. By operating self-perform fabrication yards in key regions of the world, our off-site fabrication solutions help our clients achieve cost and schedule savings by reducing on-site craft needs and shifting work to inherently safer and more controlled work environments.

Under our maintenance, modification and asset integrity offering, our clients ask us to improve the performance and extend the life of their complex facilities. In early 2016, we acquired Stork Holding B.V., a global provider of MMAI services which significantly increased our offerings in this business while also enhancing our integrated solutions capabilities. Our MMAI services include the delivery of total maintenance services, facility management, plant readiness, commissioning, start-up and maintenance technology, small capital projects, turnaround and outage services, all on a global basis. Among other things, we can provide key management, staffing and management skills as well as equipment, tools and fleet services to clients on-site at their facilities. Our MMAI activities also include routine and outage/turnaround maintenance services, general maintenance and asset management, emissions reduction technologies and services, and restorative, repair, predictive and prevention services.

Project management, the primary responsibility of managing all aspects of the effort to deliver projects on schedule and within budget, is required on every project. We are often hired as the overall program manager on large complex projects where various contractors and subcontractors are involved and multiple activities need to be integrated to ensure the success of the overall project. Project management services include logistics, development of project execution plans, detailed schedules, cost forecasts, progress tracking and reporting, and the integration of the engineering, procurement and construction efforts. Project management is accountable to the client to deliver the safety, functionality and financial performance requirements of the project.

We operate in four principal business segments, as described below.

**Energy, Chemicals & Mining**

Energy, Chemicals & Mining is our commodity-related segment where we focus on opportunities in the upstream, downstream, chemical, petrochemical, offshore and onshore oil and gas production, liquefied natural gas, pipeline, metals and mining markets. We have long served a broad spectrum of

Table of Contents

commodity-based industries as an integrated solutions provider offering a full range of design, engineering, procurement, construction, fabrication and project management services. While we perform projects that range greatly in size and scope, we believe that one of our distinguishing features is that we are one of the few companies that have the global strength and experience to perform extremely large projects in difficult locations. As the locations of large scale energy, chemicals and mining projects have become more challenging geographically, geopolitically or otherwise, we believe that clients will continue to look to us based upon our size, strength, global reach, experience and track-record to manage their complex projects.

With each specific project, our role can vary. We may be involved in providing front-end engineering, program management and final design services, construction management services, self-perform construction, or oversight of other contractors and we may also assume responsibility for the procurement of materials, equipment and subcontractors. We have the capacity to design and construct new facilities, upgrade, modernize and expand existing facilities, and rebuild facilities following fires and explosions. We also provide consulting services ranging from feasibility studies to process assessment to project finance structuring and studies.

In the upstream sector, our clients need to develop additional and new sources of supply. Our typical projects in the upstream sector revolve around the production, processing and transporting of oil and gas resources, including the development of infrastructure associated with major new fields and pipelines, as well as LNG projects. We are also involved in offshore production facilities and in conventional and unconventional gas projects in various geographical locations.

In the downstream sector, we continue to pursue significant global opportunities relating to refined products. Our clients are modernizing and modifying existing refineries to increase capacity and satisfy environmental requirements. We continue to play a strong role in each of these markets. We also remain focused on markets, such as clean fuels, where an increasing number of countries are implementing stronger environmental standards.

We have been very active for several years in the chemicals and petrochemicals market, with major projects involving the expansion of ethylene based derivatives. The most active markets have been in the United States, Middle East and Asia, where there is significant demand for chemical products.

In mining and metals, we provide a full range of services to the bauxite, copper, gold, iron ore, diamond, nickel, alumina, aluminum and other commodity-based industries. These services include feasibility studies through detailed engineering, design, procurement, construction, and commissioning and start-up support. We see many of these opportunities being developed in extreme altitudes, topographies and climates, such as the Andes Mountains, Western Australia and Africa. We are one of the few companies with the size and experience to execute large scale mining and metals projects in these difficult locations.

**Industrial, Infrastructure & Power**

The Industrial, Infrastructure & Power segment provides design, engineering, procurement, construction and project management services to the transportation, life sciences, advanced manufacturing, water and power sectors. These projects often require application of our clients' state-of-the-art processes and intellectual knowledge. We focus on providing our clients with capital efficiencies through solutions that seek to reduce costs and compress delivery schedules. By doing so, we are able to complete our clients' projects on a quick and more cost efficient basis.

In infrastructure, we are an industry leader in developing projects for both domestic and international governments, such as roads, highways, bridges and rail, with particular interest in large, complex projects. We provide a broad range of services including consulting, design, planning, financial structuring, engineering and construction. We also provide long-term operation and maintenance services for transit and highway projects. Our projects may involve the use of public/private partnerships, which allow us to develop and finance deals in concert with public entities for projects such as toll roads and rail lines that would not have otherwise been undertaken, had only public funding been available. The need for new



Table of Contents

infrastructure in emerging countries and the replacement and expansion of aging infrastructure in developed countries continues to drive project opportunities on a global basis.

For the advanced manufacturing market, we provide design, engineering, procurement, construction and construction management services to a wide variety of industries on a global basis. We specialize in designing fit-for-purpose projects which incorporate lean manufacturing concepts while also satisfying client sustainability goals. Our experience spans a wide variety of market segments ranging from traditional manufacturing to advanced technology projects.

In life sciences, we provide design, engineering, procurement, construction and construction management services to the pharmaceutical and biotechnology industries. We also specialize in providing validation and commissioning services where we not only bring new facilities into production but we also keep existing facilities operating. The ability to complete projects on a large scale basis, especially in a business where time to market is critical, allows us to better serve our clients and is a key competitive advantage.

In the power market, we provide a full range of services to the gas fueled, nuclear, environmental compliance, renewables and solid fueled markets. Our offering includes engineering, procurement, construction, program management, start-up and commissioning and technical services. We provide these services to a broad array of utilities, independent power producers, original equipment manufacturers and other third parties.

We also continue to invest in NuScale Power, LLC ("NuScale"), an Oregon-based small modular nuclear reactor ("SMR") technology company. NuScale is a leader in the development of light water, passively safe SMRs, which we believe will provide us with significant future project opportunities. In 2014, the U.S. Department of Energy and NuScale entered into a cooperative agreement whereby the government will reimburse certain NuScale research and development efforts through 2019. In December 2016, NuScale submitted its design certification application to the U.S. Nuclear Regulatory Commission, a major step towards the eventual construction of the first SMR nuclear power facility.

**Government**

Our Government segment is a provider of engineering, construction, logistics, base and facilities operations and maintenance, contingency response and environmental and nuclear services to the U.S. government and governments abroad. Because the U.S. and other governments are the largest purchasers of outsourced services in the world, government work represents an attractive opportunity for the company.

For the energy sector, we provide site management, environmental remediation, decommissioning, engineering and construction services and have been very successful in addressing the myriad environmental and regulatory challenges associated with legacy and operational nuclear sites. We are an industry leader in nuclear remediation at governmental facilities. We also provide safe, dependable and value-added nuclear operation services for the United States Department of Energy ("DOE") and international governments where we have brought our commercial operations and program management expertise to government clients to help stabilize substantial quantities of high-level, hazardous nuclear materials. We also manage the processing of low-level and high-level radioactive waste as well as development plans for on-site or off-site safe disposal of nuclear waste.

The Government segment also provides engineering and construction services, logistics and life-support, as well as contingency operations support, to the defense sector. We support military logistical and infrastructure needs around the world. Specifically, we provide life-support, engineering, procurement, construction and logistical augmentation services to the U.S. military and coalition forces in various international locations, with a primary focus on the United States military-related activities in and around the Middle East and more specifically in Afghanistan and Africa. Because of our strong network of global resources, we believe we are well-situated to efficiently and effectively mobilize the resources necessary for

Table of Contents

defense operations, even in the most remote and difficult locations to both traditional and U.S. government classified customers around the world.

In combination with our subsidiary, Fluor Federal Solutions, we are a leading provider of outsourced services to the U.S. government. We provide operations and maintenance services at military bases and education and training services to the Department of Labor, particularly through Job Corps programs. In addition, we provide construction services to new and existing facilities for the U.S. military, the intelligence community and in support of foreign military sales programs.

The company is also providing support to the Department of Homeland Security. We are particularly involved in supporting the U.S. government's rapid response capabilities to address security issues and disaster relief, the latter primarily through our long-standing relationship with the Federal Emergency Management Agency.

**Maintenance, Modification & Asset Integrity**

The MMAI segment represents a combination of other operating segments that provide a wide array of integrated solutions to support projects across Fluor groups and our clients all over the world.

Activities in this segment include providing facility start-up and management, plant and facility maintenance, operations support and asset management services to the oil and gas, chemicals, life sciences, mining and metals, consumer products and manufacturing industries. We focus on asset management solutions, as well as providing services in diverse areas such as electrical and instrumentation, fabric maintenance, mechanical and piping. We also provide inspection and integrity services to our clients to better ensure the reliable operations of their projects. Our capabilities in this area were greatly enhanced by our acquisition of Stork Holding, B.V. which closed in March 2016. This business, driven by annual operating expenditures, often benefits from large projects that originate in another of our segments which can lead to long-term maintenance or operations opportunities. Conversely, our long-term maintenance contracts can lead to larger capital projects for our other business segments when those needs arise. Our goal is to help clients improve the performance of their assets while also extending asset life.

Through our power services business line, we offer a variety of services to owners including fossil, renewable and nuclear plant maintenance, facility management, operations support, asset performance improvement, capital modifications and improvements, operations readiness and start-up commissioning on a global basis. We have annual maintenance and modification contracts covering full generation fleets within the utility generation market.

MMAI also provides Site Services® and fleet management services through AMECO®. AMECO provides integrated construction equipment, tool, and fleet service solutions to the company and third party clients on a global basis for construction projects and plant sites. AMECO supports large construction projects and plants at locations throughout North and South America, Africa, the Middle East, Australia and Southeast Asia.

MMAI serves the staffing market through TRS®. TRS is a global enterprise of staffing specialists that provides the company and third party clients with technical, professional and craft resources either on a contract or permanent placement basis.

**Other Matters**

***Backlog***

Backlog represents the total amount of revenues we expect to record in the future based upon contracts that have been awarded to us. Backlog is stated in terms of gross revenues and may include significant estimated amounts of third party, subcontracted and pass-through costs.

## Edgar Filing: FLUOR CORP - Form 10-K

### Table of Contents

Backlog in the engineering and construction industry is a measure of the total dollar value of work to be performed on contracts awarded and in progress. The following table sets forth the consolidated backlog of the company's segments at December 31, 2016 and 2015:

	December 31, 2016	December 31, 2015	
(in millions)			
Energy, Chemicals & Mining	\$ 21,831	\$ 29,365	
Industrial, Infrastructure & Power	15,115	9,682	
Government <sup>(1)</sup>	5,194	3,560	
Maintenance, Modification & Asset Integrity <sup>(2)</sup>	2,872	2,119	
<b>Total<sup>(3)</sup></b>	<b>\$ 45,012</b>	<b>\$ 44,726</b>	

- 
- (1) U.S. government agencies operate under annual fiscal appropriations by Congress and fund various federal contracts only on an incremental basis. With respect to backlog in our Government segment, if a contract covers multiple years, we include the full contract award, whether funded or unfunded, excluding option periods. As of December 31, 2016 and 2015, total backlog includes \$2.7 billion and \$912 million, respectively, of unfunded government contracts. For our contingency operations, we include only those amounts for which specific task orders have been awarded.
- (2) The equipment and temporary staffing businesses in the MMAI segment do not report backlog or new awards. With respect to our ongoing operations and maintenance contracts in the MMAI segment, backlog includes the amount of revenue we expect to recognize for the remainder of the current year renewal period plus up to three additional years if renewal is considered to be probable.
- (3) For projects related to proportionately consolidated joint ventures, we include only our percentage ownership of each joint venture's backlog.

The following table sets forth our consolidated backlog at December 31, 2016 and 2015 by region:

	December 31, 2016	December 31, 2015	
(in millions)			
United States	\$ 23,188	\$ 18,167	
Asia Pacific (including Australia)	1,957	2,678	
Europe, Africa and Middle East	16,732	13,351	
The Americas (excluding the United States)	3,135	10,530	
<b>Total</b>	<b>\$ 45,012</b>	<b>\$ 44,726</b>	

In 2017, we expect to perform approximately 42 percent of our total backlog reported as of December 31, 2016. In comparison, during the last three years we expected to annually perform an average of 45 percent of our total year end backlog in the subsequent fiscal year.

Although backlog reflects business that is considered to be firm, cancellations, deferrals or scope adjustments may occur. Backlog is adjusted to reflect any known project cancellations, revisions to project scope and cost, foreign currency exchange fluctuations and project deferrals, as appropriate. Backlog denominated in foreign currencies is measured using average exchange rates. Due to additional factors outside of our control, such as changes in project schedules, we cannot predict the portion of our December 31, 2016 backlog estimated to be performed annually subsequent to 2017. Accordingly, backlog is not necessarily indicative of future earnings or revenues and no assurances can be provided that we will ultimately realize on our backlog.



Table of Contents

The following table sets forth our changes in consolidated backlog at December 31, 2016 and 2015:

	December 31, 2016	December 31, 2015
	(in millions)	
Backlog beginning of period	\$ 44,726	\$ 42,482
New awards	20,959	21,846
Adjustments and cancellations, net	(2,061)	(1,987)
Work performed	(18,612)	(17,615)
<b>Backlog end of period</b>	<b>\$ 45,012</b>	<b>\$ 44,726</b>

For additional information with respect to our backlog, please see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations," below.

**Types of Contracts**

While the basic terms and conditions of the contracts that we perform may vary considerably, generally we perform our work under two types of contracts: (a) cost reimbursable contracts and (b) fixed-price, lump-sum or guaranteed maximum contracts. In some markets, we are seeing "hybrid" contracts containing both fixed-price and cost reimbursable elements. As of December 31, 2016, the following table breaks down the percentage and amount of revenue associated with these types of contracts for our existing backlog:

	December 31, 2016	
	(in millions)	(percentage)
Cost Reimbursable	\$ 33,045	73%
Fixed-Price, Lump-Sum and Guaranteed Maximum	\$ 11,967	27%

In accordance with industry practice, most of our contracts, including those with the U.S. government are subject to termination at the discretion of our client. In such situations, our contracts typically provide for the payment of fees earned through the date of termination and the reimbursement of costs incurred including demobilization costs.

Under cost reimbursable contracts, the client reimburses us based upon negotiated rates and pays us a pre-determined or fixed fee, or a fee based upon a percentage of the cost incurred in completing the project. Our profit may be in the form of a fee, a simple mark-up applied to labor cost incurred in performing the contract, or a combination of the two. The fee element may also vary. The fee may be an incentive fee based upon achieving certain performance factors, milestones or targets; it may be a fixed amount in the contract; or it may be based upon a percentage of the cost incurred.

Our Government segment, primarily acting as a prime contractor or a major subcontractor for a number of government programs, generally performs its services under cost reimbursable contracts subject to applicable statutes and regulations. In many cases, these contracts include incentive fee arrangements. The programs in question often take many years to complete and may be implemented by the award of many different contracts. Some of our government contracts are known as indefinite delivery indefinite quantity ("IDIQ") agreements. Under these arrangements, we work closely with the government to define the scope and amount of work required based upon an estimate of the maximum amount that the government desires to spend. While the scope is often not initially fully defined or does not require any specific amount of work, once the project scope is determined, additional work may be awarded to us without the need for further competitive bidding.

Fixed-price contracts include both lump-sum contracts and negotiated fixed-price contracts. Under lump-sum contracts, we typically bid against our competitors on a contract based upon specifications provided by the client. This type of contracting presents certain inherent risks including the possibility of ambiguities in the specifications received, or economic and other changes that may occur during the

Table of Contents

contract period. Under negotiated fixed-price contracts, we are selected as contractor first, and then we negotiate price with the client. Negotiated fixed-price contracts frequently occur in single-responsibility arrangements where we perform some of the work before negotiating the total price for the project. Another type of fixed-price contract is a unit price contract under which we are paid a set amount for every "unit" of work performed. If we perform well under these types of contracts, we can benefit from cost savings; however, if the project does not proceed as originally planned, we generally cannot recover cost overruns except in certain limited situations.

Guaranteed maximum price contracts are cost reimbursable contracts except that the total fee plus the total cost cannot exceed an agreed upon guaranteed maximum price. We can be responsible for some or all of the total cost of the project if the cost exceeds the guaranteed maximum price. Where the total cost is less than the negotiated guaranteed maximum price, we may receive the benefit of the cost savings based upon a negotiated agreement with the client.

Some of our contracts, regardless of type, may operate under joint ventures or other teaming arrangements. Typically, we enter into these arrangements with reputable companies with whom we have worked previously. These arrangements are generally made to strengthen our market position or technical skills, or where the size, scale or location of the project directs the use of such arrangements.

**Competition**

We are one of the world's largest providers of engineering, procurement, construction, fabrication, operations and maintenance services. The markets served by our business are highly competitive and, for the most part, require substantial resources and highly skilled and experienced technical personnel. A large number of companies are competing in the markets served by our business, including U.S.-based companies such as Bechtel Group, Inc., CH2M Hill Companies, Ltd., Jacobs Engineering Group, Inc., KBR, Inc., Kiewit Corporation, Granite Construction, Inc. and AECOM, and international-based companies such as AMEC Foster Wheeler plc, Balfour Beatty plc, Chicago Bridge and Iron Company N.V., Chiyoda Corporation, Hyundai Engineering & Construction Company, Ltd., JGC Corporation, Petrofac Limited, SNC-Lavalin Group, Inc., Samsung Engineering, TechnipFMC plc and WorleyParsons Limited.

In the engineering, procurement, fabrication and construction arena, which is served by our Energy, Chemicals & Mining segment and our Industrial, Infrastructure & Power segment, competition is based on an ability to provide the design, engineering, planning, management and project execution skills required to complete complex projects in a safe, timely and cost-efficient manner. Our engineering, procurement, fabrication and construction business derives its competitive strength from our diversity, excellence in execution, reputation for quality, technology, cost-effectiveness, worldwide procurement capability, project management expertise, geographic coverage, ability to meet client requirements by performing construction on either a union or an open shop basis, ability to execute projects of varying sizes, strong safety record and lengthy experience with a wide range of services and technologies.

The various markets served by the MMAI segment, while having some similarities to the construction and procurement arena, tend also to have discrete issues impacting individual units. Each of the markets we serve has a large number of companies competing in its markets. In the operations and maintenance markets, barriers to entry are both financially and logistically low, with the result that the industry is highly fragmented with no single company being dominant. Competition in those markets is generally driven by reputation, price and the capacity to perform. The equipment sector, which operates in numerous markets, is highly fragmented and very competitive, with a large number of competitors mostly operating in specific geographic areas. The competition in the equipment sector for larger capital project services is more narrow and limited to only those capable of providing comprehensive equipment, tool and management services. Temporary staffing is a highly fragmented market with over 1,000 companies competing globally. The key competitive factors in this business line are price, service, quality, client relationships, breadth of service and the ability to identify and retain qualified personnel and geographical coverage.

Table of Contents

Key competitive factors in our Government segment are primarily centered on performance and the ability to provide the design, engineering, planning, management and project execution skills required to complete complex projects in a safe, timely, cost-efficient and compliant manner.

**Significant Clients**

For 2016, revenue earned from agencies of the U.S. government and Exxon Mobil Corporation accounted for 13 percent and 10 percent, respectively, of our total revenue. We perform work for these clients under multiple contracts and sometimes through joint venture arrangements. No other client accounted for more than 10 percent of our revenues in 2016.

**Raw Materials**

The principal products we use in our business include structural steel, metal plate, concrete, cable and various electrical and mechanical components. These products and components are subject to raw material (aluminum, copper, nickel, iron ore, etc.) availability and commodity pricing fluctuations, which we monitor on a regular basis. We have access to numerous global supply sources and we do not foresee any unavailability of these items that would have a material adverse effect on our business in the near term. However, the availability of these products, components and raw materials may vary significantly from year to year due to various factors including client demand, producer capacity, market conditions and specific material shortages.

**Research and Development**

Aside from our investment in NuScale, we generally do not engage in significant research and development efforts for new products and services and, during the past three fiscal years, we have not incurred cost for company-sponsored or client-sponsored research and development activities which would be material, special or unusual in any of our business segments. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Power" for further discussion of the operations of NuScale.

**Patents**

We hold patents and licenses for certain items that we use in our operations, including those held by NuScale and Stork. However, none is so essential that its loss would materially affect our business.

**Environmental, Safety and Health Matters**

In our business, we engage in the design, engineering, construction, construction management, fabrication and operations and maintenance at sites throughout the world. Work at some of these sites involves activities related to nuclear facilities, hazardous waste, hydrocarbon production, distribution and transport, the military and infrastructure. Some of our work can be performed adjacent to environmentally sensitive locations such as wetlands, lakes and rivers. We also contract with the U.S. federal government to remediate hazardous materials, including chemical agents and weapons, as well as to decontaminate and decommission nuclear sites. These activities can require us to manage, handle, remove, treat, transport and dispose of toxic, radioactive or hazardous substances. Significant fines, penalties and other sanctions may arise under environmental health and safety laws and regulations, and many of these laws call for joint and several and/or strict liability, which can render a party liable without regard to negligence or fault of such person.

We believe, based upon present information available to us, that we are generally compliant with all such environmental health and safety laws and regulations. We further believe that our accruals with respect to future environmental cost are adequate and any future cost will not have a material effect on our consolidated financial position, results of operations, liquidity, capital expenditures or competitive position. Some factors, however, could result in additional expenditures or the provision of additional accruals in expectation of such expenditures. These include the imposition of more stringent requirements

Table of Contents

under environmental laws or regulations, new developments or changes regarding site cleanup cost or the allocation of such cost among potentially responsible parties, or a determination that we are potentially responsible for the release of hazardous substances at sites other than those currently identified.

**Number of Employees**

The following table sets forth the number of employees of Fluor and its subsidiaries engaged in our business segments as of December 31, 2016:

	<b>Number of Employees</b>
<b>Salaried Employees:</b>	
Energy, Chemicals & Mining	14,234
Industrial, Infrastructure & Power	2,491
Government	3,940
Maintenance, Modification & Asset Integrity	4,579
Other	3,437
<b>Total Salaried</b>	<b>28,681</b>
Craft and Hourly Employees	32,870
<b>Total</b>	<b>61,551</b>

The number of craft and hourly employees, who provide support throughout the various business segments, varies in relation to the number, size and phase of execution of projects we have in process at any particular time.

**Executive Officers of the Registrant**

The following information is being furnished with respect to the company's executive officers as of December 31, 2016:

<b>Name</b>	<b>Age</b>	<b>Position with the Company<sup>(1)</sup></b>
Ray F. Barnard	57	Executive Vice President, Systems and Supply Chain
Jose-Luis Bustamante	53	Executive Vice President, Business Development and Strategy
Robin K. Chopra	52	Senior Vice President and Controller
Garry W. Flowers	65	Executive Vice President, Project Support Services
Carlos M. Hernandez	62	Executive Vice President, Chief Legal Officer and Secretary
Mark A. Landry	52	Senior Vice President, Human Resources
Peter Oosterveer	59	Chief Operating Officer
Biggs C. Porter	63	Executive Vice President and Chief Financial Officer
David T. Seaton	55	Chairman and Chief Executive Officer
Bruce A. Stanski	56	Group President, Government

(1) All references are to positions held with Fluor Corporation. All of the officers listed in the preceding table serve in their respective capacities at the pleasure of the Board of Directors.

***Ray F. Barnard***



## Edgar Filing: FLUOR CORP - Form 10-K

Mr. Barnard has been Executive Vice President, Systems and Supply Chain since February 2014. Prior to that, he was Chief Information Officer from February 2005 to February 2014. Mr. Barnard joined the company in 2002.

### *Jose-Luis Bustamante*

Mr. Bustamante has been Executive Vice President, Business Development and Strategy since February 2015. Prior to that, he was Senior Vice President of Business Development, Marketing and

Table of Contents

Strategic Planning for Oil & Gas from February 2012 to February 2015 and Vice President, Sales from August 2007 to February 2012. Mr. Bustamante joined the company in 1990.

***Robin K. Chopra***

Mr. Chopra has been Senior Vice President and Controller, as well as the Principal Accounting Officer of Fluor since March 2016. Prior to that, he was Controller of our former Energy & Chemicals, Industrial & Infrastructure and Power segments from September 2014 to March 2016 and Vice President, Internal Audit from March 2008 to September 2014. Mr. Chopra joined the company in 1991.

***Garry W. Flowers***

Mr. Flowers has been Executive Vice President, Project Support Services since February 2014 and has also led HSE, Security and Industrial Relations since November 2003. Prior to February 2014, Mr. Flowers was Group President, Global Services from January 2012 to February 2014 and was President and CEO of Savannah River Nuclear Solutions, LLC from September 2009 to January 2012. Mr. Flowers joined the company in 1978.

***Carlos M. Hernandez***

Mr. Hernandez has been Executive Vice President, Chief Legal Officer and Secretary since October 2007, when he joined the company. Prior to joining the company, he was General Counsel and Secretary of ArcelorMittal USA, Inc. from April 2005 to October 2007.

***Mark A. Landry***

Mr. Landry has been Senior Vice President, Human Resources since July 2016. Prior to that he had various roles in our Human Resources group overseeing various commercial operations from May 2014 to July 2016 and was an HR Director for Energy & Chemicals and the HR Regional Director for EAME, Asia Pacific and Australia from December 2010 to May 2014. Mr. Landry joined the company in 1989.

***Peter Oosterveer***

Mr. Oosterveer has been Chief Operating Officer since February 2014. Prior to that, he was Group President, Oil & Gas from March 2009 to February 2014. Mr. Oosterveer joined the company in 1989.

***Biggs C. Porter***

Mr. Porter has been Executive Vice President and Chief Financial Officer since May 2012, when he joined the company. Prior to joining the company, he was Chief Financial Officer of Tenet Healthcare, Inc. from June 2006 to March 2012.

***David T. Seaton***

Mr. Seaton has been Chief Executive Officer since February 2011 and Chairman since February 2012. Prior to that, he was Chief Operating Officer from November 2009 to February 2011. Mr. Seaton joined the company in 1985.

***Bruce A. Stanski***

Mr. Stanski has been Group President, Government since August 2009. Prior to joining the company in March 2009, he was President, Government and Infrastructure of KBR, Inc. from August 2007 to March 2009.

Table of Contents

**Available Information**

Our website address is *www.fluor.com*. You may obtain free electronic copies of our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments to those reports on the "Investor Relations" portion of our website, under the heading "SEC Filings" filed under "Financial Information." These reports are available on our website as soon as reasonably practicable after we electronically file them with the Securities and Exchange Commission. These reports, and any amendments to them, are also available at the Internet website of the Securities and Exchange Commission, <http://www.sec.gov>. The public may also read and copy any materials we file with the Securities and Exchange Commission at the SEC's Public Reference Room located at 100 F Street, N.E., Washington, D.C., 20549. In order to obtain information about the operation of the Public Reference Room, you may call 1-800-732-0330. We also maintain various documents related to our corporate governance including our Corporate Governance Guidelines, our Board Committee Charters and our Code of Business Conduct and Ethics for Members of the Board of Directors on the "Sustainability" portion of our website under the heading "Corporate Governance Documents" filed under "Governance."

**Item 1A. Risk Factors**

*We are vulnerable to the cyclical nature of the markets we serve.*

The demand for our services is dependent upon the existence of projects with engineering, procurement, construction, fabrication, maintenance and management needs. Current economic conditions and commodity prices have adversely affected our clients' interest in approving new projects, have reduced our clients' budgets for capital expenditures and have otherwise caused a slowdown in the services our clients require. We derive a substantial portion of our revenues from companies in the oil and gas industry, a historically cyclical industry that is significantly affected by the levels and volatility of oil and gas prices. Recent and/or continuing declines or moderations in oil or natural gas prices or activities have materially and adversely affected the demand for our services in our Energy, Chemicals & Mining segment. In our Energy, Chemicals & Mining segment, capital expenditures by our clients may be influenced by factors such as prevailing prices and expectations about future prices for underlying commodities, technological advances, the costs of exploration, production and delivery of product, domestic and international political, military, regulatory and economic conditions and other similar factors. In the power portion of our Industrial, Infrastructure & Power segment, new order activity has continued to see relatively low demand for our services in power due to political and environmental concerns regarding coal-fired power plants and safety and environmental concerns in the nuclear sector. In our mining and metal business line of the Energy, Chemicals & Mining segment, new order activity has also shown continued slowing due in part to volatility in the commodities and capital markets, which have caused clients in this segment to re-evaluate their needs for future capital improvements. Industries such as these and many of the others we serve have historically been and will continue to be vulnerable to general downturns, which in turn could materially and adversely affect the demand for our services.

*Our revenue and earnings are largely dependent on the award of new contracts which we do not directly control.*

A substantial portion of our revenue and earnings is generated from large-scale project awards. The timing of project awards is unpredictable and outside of our control. Awards, including expansions of existing projects, often involve complex and lengthy negotiations and competitive bidding processes. These processes can be impacted by a wide variety of factors including a client's decision to not proceed with the development of a project, governmental approvals, financing contingencies, commodity prices, environmental conditions and overall market and economic conditions. We may not win contracts that we have bid upon due to price, a client's perception of our ability to perform and/or perceived technology advantages held by others. Many of our competitors may be more inclined to take greater or unusual risks or terms and conditions in a contract that we might not deem acceptable especially when the markets for the services we typically offer are relatively soft. Because a significant portion of our revenue is generated from large projects, our results of operations can fluctuate quarterly and annually depending on whether and when large project awards occur and the commencement and progress of work under large contracts

Table of Contents

already awarded. As a result, we are subject to the risk of losing new awards to competitors or the risk that revenue may not be derived from awarded projects as quickly as anticipated. Current economic and political conditions also make it extremely difficult for our clients, our vendors and us to accurately forecast and plan future business activities. For example, following the recent elections in the United States, many observers expect spending on U.S. infrastructure to increase. There is no assurance that such spending will increase or, if it does, that we will benefit from any increases in spending.

*We may experience reduced profits or losses under contracts if costs increase above estimates.*

Generally our business is performed under contracts that include cost and schedule estimates in relation to our services. Inaccuracies in these estimates may lead to cost overruns that may not be paid by our clients thereby resulting in reduced profits or losses. If a contract is significant or there are one or more events that impact a contract or multiple contracts, cost overruns could have a material impact on our reputation or our financial results, negatively impacting our financial condition, results of operations or cash flow. Approximately 27 percent of the dollar-value of our backlog is currently fixed-price contracts, where we bear a significant portion of the risk for cost overruns. Reimbursable contract types, such as those that include negotiated hourly billing rates, may restrict the kinds or amounts of costs that are reimbursable, therefore exposing us to risk that we may incur certain costs in executing these contracts that are above our estimates and not recoverable from our clients. If we fail to accurately estimate the resources and time necessary for these types of contracts, or fail to complete these contracts within the timeframes and costs we have agreed upon, there could be a material impact on our financial results as well as our reputation.

In some markets, there is a trend towards cost-reimbursable contracts with incentive fee arrangements. Typically, our incentive fees are based on achievement of target completion dates or target costs, overall safety performance, overall client satisfaction and other performance criteria. If we fail to meet such targets or achieve the expected performance standards, we may receive a lower or even zero incentive fee. In other cases, our fee will not change but we will have to continue to perform work without additional fee until the performance criteria is achieved. In both instances, this could result in lower than expected gross margins. Accordingly, for these and other reasons, there is no assurance that the contracts in our backlog, assuming they produce the revenue expected, will generate gross margins at the rates we expect or have realized in the past.

Risks under our contracts which could result in cost overruns, project delays or other problems can also include:

Difficulties related to the performance of our clients, partners, subcontractors, suppliers or other third parties;

Changes in local laws or difficulties or delays in obtaining permits, rights of way or approvals;

Unanticipated technical problems, including design or engineering issues;

Insufficient or inadequate project execution tools and systems needed to record, track, forecast and control cost and schedule;

Unforeseen increases in or failures to properly estimate the cost of raw materials, components, equipment, labor or the inability to timely obtain them;

Delays or productivity issues caused by weather conditions;

Incorrect assumptions related to productivity, scheduling estimates or future economic conditions; and

Project modifications creating unanticipated costs or delays.

Table of Contents

These risks tend to be exacerbated for longer-term contracts because there is increased risk that the circumstances under which we based our original cost estimates or project schedules will change with a resulting increase in costs. In many of these contracts, we may not be able to obtain compensation for additional work performed or expenses incurred, and if a project is not executed on schedule, we may be required to pay liquidated damages. In addition, these losses may be material and can, in some circumstances, equal or exceed the full value of the contract. In such events, our financial condition, results of operations or cash flow could be negatively impacted.

***Our backlog is subject to unexpected adjustments and cancellations and, therefore, may not be a reliable indicator of our future revenue or earnings.***

As of December 31, 2016, our backlog was approximately \$45.0 billion. Our backlog generally consists of projects for which we have an executed contract or commitment with a client and reflects our expected revenue from the contract or commitment, which is often subject to revision over time. We cannot guarantee that the revenue projected in our backlog will be realized or profitable or will not be subject to delay or suspension. Project cancellations, scope adjustments or deferrals, or foreign currency fluctuations may occur with respect to contracts reflected in our backlog and could reduce the dollar amount of our backlog and the revenue and profits that we actually earn; or, may cause the rate at which we perform on our backlog to decrease. Most of our contracts have termination for convenience provisions in them allowing clients to cancel projects already awarded to us. Our contracts typically provide for the payment of fees earned through the date of termination and the reimbursement of costs incurred including demobilization costs. In addition, projects may remain in our backlog for an extended period of time. During periods of economic slowdown or decreases in commodity prices, the risk of backlog projects being suspended, delayed or cancelled generally increases. Finally, poor project or contract performance could also impact our backlog and profits. Such developments could have a material adverse effect on our business and our profits.

***Intense competition in the global engineering, procurement and construction industry could reduce our market share and profits.***

We serve markets that are highly competitive and in which a large number of multinational companies compete. These markets can require substantial resources and investment in technology and skilled personnel. We also see a continuing influx of non-traditional competitors offering below-market pricing while accepting greater risk. Competition can place downward pressure on our contract prices and profit margins, and may force us to accept contractual terms and conditions that are not normal or customary, thereby increasing the risk that we may have losses on such contracts. Intense competition is expected to continue in these markets, presenting us with significant challenges in our ability to maintain strong growth rates and acceptable profit margins. If we are unable to meet these competitive challenges, we could lose market share to our competitors and experience an overall reduction in our profits.

***Current global economic conditions will likely affect a portion of our client base, partners, subcontractors and suppliers and could materially affect our backlog and profits.***

Current global economic conditions, including a decline in commodity prices and currency devaluations, have reduced and continue to negatively impact our clients' willingness and ability to fund their projects. These conditions make it difficult for our clients to accurately forecast and plan future business trends and activities, thereby causing our clients to slow or even curb spending on our services, or seek contract terms more favorable to them. Our government clients may face budget deficits or financial sequestration that prohibit them from funding proposed and existing projects or that cause them to exercise their right to terminate our contracts with little or no prior notice. Furthermore, any financial difficulties suffered by our partners, subcontractors or suppliers could increase our cost or adversely impact project schedules. These economic conditions have reduced to some extent the availability of liquidity and credit to fund or support the continuation and expansion of industrial business operations worldwide. Current financial market conditions and adverse credit market conditions could adversely affect our

Table of Contents

clients', our partners' or our own borrowing capacity, which support the continuation and expansion of projects worldwide, and could result in contract cancellations or suspensions, project award and execution delays, payment delays or defaults by our clients. Our ability to expand our business would be limited if, in the future, we are unable to access sufficient credit capacity, including capital market funding, bank credit, such as letters of credit, and surety bonding on favorable terms or at all. These disruptions could materially impact our backlog and profits. If we extend a significant portion of credit to our clients or projects in a specific geographic region or industry, we may experience higher levels of collection risk or non-payment if those clients are impacted by factors specific to their geographic industry or region. Finally, our business has traditionally lagged recoveries in the general economy, and therefore may not recover as quickly as the economy as a whole.

***We have international operations that are subject to foreign economic and political uncertainties and risks. Unexpected and adverse changes in the foreign countries in which we operate could result in project disruptions, increased cost and potential losses.***

Our business is subject to international economic and political conditions that change (sometimes frequently) for reasons which are beyond our control. As of December 31, 2016, approximately 48 percent of our backlog consisted of revenue to be derived from projects and services to be completed outside the United States. We expect that a significant portion of our revenue and profits will continue to come from international projects for the foreseeable future.

Operating in the international marketplace exposes us to a number of risks including:

abrupt changes in government policies, laws, treaties (including those impacting trade), regulations or leadership;

embargoes or other trade restrictions, including sanctions;

restrictions on currency movement;

tax increases;

currency exchange rate fluctuations;

changes in labor conditions and difficulties in staffing and managing international operations;

U.S. government policy changes in relation to the foreign countries in which we or our clients operate;

international hostilities; and

unrest, civil strife, acts of war, terrorism and insurrection.

Also, the lack of a well-developed legal system in some of the countries where we operate may make it difficult to enforce our contractual rights or to defend ourselves against claims made by others. We operate in countries where there is a significant amount of political risk including the Middle East, Kazakhstan, Russia, China, and Argentina. In addition, military action or continued unrest could impact the supply or pricing of oil, disrupt our operations in the region and elsewhere, and increase our security costs. Our level of exposure to these risks will vary on each project, depending on the location of the project and the particular stage of each such project. For example, our risk exposure with respect to a project in an early development phase, such as engineering, will generally be less than our risk exposure on a project that is in the construction phase. To the extent that our international business is affected by unexpected and adverse foreign economic and political conditions and risks, we may experience project disruptions and losses. Project disruptions and losses could significantly reduce our overall revenue and profits.

Additional risks to our business may result from the United Kingdom's proposed withdrawal from the European Union. In June 2016, the United Kingdom voted in favor of a referendum, commonly known as "Brexit", which sets in motion its withdrawal from the European Union. It is anticipated that this process, when completed, could result in greater regulatory complexities and possibly result in more restrictive



Table of Contents

business activities between the United Kingdom and the European Union. In addition, Brexit may cause general disruption to the global economic markets. We have significant business operations in the United Kingdom. Brexit may adversely impact our relationships with our existing and future customers, suppliers, employees and subcontractors, and may otherwise have an adverse effect on our business, operations and financial condition.

***Our use of teaming arrangements and joint ventures, which are important to our business, exposes us to risk and uncertainty because the success of those ventures depends on the satisfactory performance by our venture partners over whom we may have little or no control. The failure of our venture partners to perform their venture obligations could impose additional financial and performance obligations on us that could result in reduced profits or, in some cases, significant losses for us with respect to the venture.***

In the ordinary course of business, and as has become increasingly common in our industry, we execute specific projects and otherwise conduct certain operations through joint ventures, consortiums, partnerships and other collaborative arrangements (collectively, "ventures"), including ICA Fluor and CFHI. We have various ownership interests in these ventures, with such ownership typically being proportionate to our decision-making and distribution rights. The ventures generally contract directly with the third party client; however, services may be performed directly by the venture, or may be performed by us, our partners, or a combination thereof.

Our success in many of our markets is dependent, in part, on the presence or capability of a local partner. If we are unable to compete alone, or with a quality partner, our ability to win work and successfully complete our contracts may be impacted. Differences in opinions or views between venture partners can result in delayed decision-making or failure to agree on material issues which could adversely affect the business and operations of our ventures. In many of the countries in which we engage in joint ventures, it may be difficult to enforce our contractual rights under the applicable joint venture agreement.

At times, we also participate in ventures where we are not a controlling party. In such instances, we may have limited control over venture decisions and actions, including internal controls and financial reporting which may have an impact on our business. To the extent the controlling partner makes decisions that negatively impact the joint venture, if internal control problems arise within the joint venture, or if our joint venture partner has financial or operational issues, there could be a material impact on our business, financial condition or results of operations.

From time to time in order to establish or preserve a relationship, or to better ensure venture success, we may accept risks or responsibilities for the venture which are not necessarily proportionate with the reward we expect to receive or which may differ from risks or responsibilities we would normally accept in our own operations. The success of these and other ventures also depends, in large part, on the satisfactory performance by our venture partners of their venture obligations, including their obligation to commit working capital, equity or credit support as required by the venture and to support their indemnification and other contractual obligations. If our venture partners fail to satisfactorily perform their venture obligations the venture may be unable to adequately perform or deliver its contracted services. Under these circumstances, we may be required to make additional investments and provide additional services to ensure the adequate performance and delivery by the venture of the contracted services and to meet any performance guarantees. We may also be subject to joint and several liability for our venture partners under the applicable contracts for venture projects. These additional obligations could result in reduced profits or, in some cases, increased liabilities or significant losses for us with respect to the venture, and in turn, our business and operations. In addition, a failure by a venture partner to comply with applicable laws, rules or regulations could negatively impact our business and could result in fines, penalties, suspension or in the case of government contracts even debarment.

***Cyber-security breaches of our systems and information technology could adversely impact our ability to operate.***

We utilize, develop, install and maintain a number of information technology systems both for us and for others. Various privacy and security laws require us to protect sensitive and confidential information



Table of Contents

from disclosure. In addition, we are bound by our client and other contracts, as well as our own business practices, to protect confidential and proprietary information (whether it be ours or a third party's information entrusted to us) from disclosure. Our computer systems face the threat of unauthorized access, computer hackers, viruses, malicious code, cyber attacks, phishing and other security incursions and system disruptions, including attempts to improperly access our confidential and proprietary information as well as the confidential and proprietary information of our clients and other business partners. While we endeavor to maintain industry-accepted security measures and technology to secure our computer systems, these systems and the information stored on these systems may still be subject to threats. A party who circumvents our security measures could misappropriate confidential or proprietary information, or could cause damage or interruptions to our systems. Any of these events could damage our reputation or have a material adverse effect on our business, financial condition, results of operations or cash flows.

***From time to time, we are involved in litigation proceedings, potential liability claims and contract disputes which may reduce our profits.***

We may be subject to a variety of legal proceedings, liability claims or contract disputes in virtually every part of the world. We engage in engineering and construction activities for large facilities where design, construction or systems failures can result in substantial injury or damage. In addition, the nature of our business results in clients, subcontractors and suppliers occasionally presenting claims against us for recovery of costs they incurred in excess of what they expected to incur, or for which they believe they are not contractually liable. We have been and may in the future be named as a defendant in legal proceedings where parties may make a claim for damages or other remedies with respect to our projects or other matters. During times of economic downturns, especially with regard to commodity-based clients, claim frequencies and amounts tend to increase.

In proceedings when it is determined that we have liability, we may not be covered by insurance or, if covered, the dollar amount of these liabilities may exceed our policy limits. In addition, even where insurance is maintained for such exposure, the policies have deductibles resulting in our assuming exposure for a layer of coverage with respect to any such claims. Our professional liability coverage is on a "claims-made" basis covering only claims actually made during the policy period currently in effect. Any liability not covered by our insurance, in excess of our insurance limits or, if covered by insurance but subject to a high deductible, could result in a significant loss for us, and reduce our cash available for operations.

In other legal proceedings, liability claims or contract disputes, we may be covered by indemnification agreements which may at times be difficult to enforce. Even if enforceable, it may be difficult to recover under these agreements if the indemnitor does not have the ability to financially support the indemnity. Litigation and regulatory proceedings are subject to inherent uncertainties, and unfavorable rulings could occur. If we were to receive an unfavorable ruling in a matter, our business and results of operations could be materially harmed. For further information on matters in dispute, please see "14. Contingencies and Commitments" in the Notes to Consolidated Financial Statements.

***Our failure to recover adequately on claims against project owners, subcontractors or suppliers for payment or performance could have a material effect on our financial results.***

We occasionally bring claims against project owners for additional costs exceeding the contract price or for amounts not included in the original contract price. Similarly, we present change orders and claims to our subcontractors and suppliers. If we fail to properly document the nature of change orders or claims, or are otherwise unsuccessful in negotiating a reasonable settlement, we could incur reduced profits, cost overruns and in some cases a loss on the project. These types of claims can often occur due to matters such as owner-caused delays or changes from the initial project scope, which result in additional cost, both direct and indirect. From time to time, these claims can be the subject of lengthy and costly proceedings, and it is often difficult to accurately predict when these claims will be fully resolved. When these types of events occur and unresolved claims are pending, we may invest significant working capital in projects to

Table of Contents

cover cost overruns pending the resolution of the relevant claims. A failure to promptly recover on these types of claims could have a material adverse impact on our liquidity and financial results.

***If we experience delays and/or defaults in client payments, we could suffer liquidity problems or we could be unable to recover all expenditures.***

Because of the nature of our contracts, we sometimes commit resources to projects prior to receiving payments from clients in amounts sufficient to cover expenditures as they are incurred. Some of our clients may find it increasingly difficult to pay invoices for our services timely, especially as commodity prices decrease and remain low, increasing the risk that our accounts receivable could become uncollectible and ultimately be written off. In certain cases, our clients for our large projects are project-specific entities that do not have significant assets other than their interests in the project. From time to time, it may be difficult for us to collect payments owed to us by these clients. In addition, clients may request extension of the payment terms otherwise agreed to under our contracts. Delays in client payments may require us to make a working capital investment, which could impact our cash flows and liquidity. If a client fails to pay invoices on a timely basis or defaults in making its payments on a project in which we have devoted significant resources, there could be a material adverse effect on our results of operations or liquidity.

***If we guarantee the timely completion or performance standards of a project, we could incur additional cost to cover our guarantee obligations.***

In some instances and in many of our fixed-price contracts, we guarantee to a client that we will complete a project by a scheduled date. We sometimes warrant that a project, when completed, will also achieve certain performance standards. From time to time, we may also assume a project's technical risk, which means that we may have to satisfy certain technical requirements of a project despite the fact that at the time of project award we may not have previously produced the system or product in question. Also, our contracts typically include limited warranties, providing assurances to clients that our completed work will meet industry standards of quality. If we subsequently fail to complete the project as scheduled, or if the project subsequently fails to meet guaranteed performance or quality standards, we may be held responsible under the guarantee or warranty provisions of our contract for cost impacts to the client resulting from any delay or the cost to cause the project to achieve the performance standards, generally in the form of contractually agreed-upon liquidated damages or an obligation to re-perform substandard work. To the extent that these events occur, the total cost of the project (including any liquidated damages we become liable to pay) could exceed our original estimates and we could experience reduced profits or, in some cases, a loss for that project.

***Our project execution activities may result in liability for faulty engineering or similar professional services.***

Because our projects are often technically complex, our failure to make judgments and recommendations in accordance with applicable professional standards, including engineering standards, could result in damages. Our business involves professional judgments regarding the planning, design, development, construction, operations and management of industrial facilities and public infrastructure. While we do not generally accept liability for consequential damages, and although we have adopted a range of insurance, risk management and risk avoidance programs designed to reduce potential liabilities, a catastrophic event at one of our project sites or completed projects resulting from the services we have performed could result in significant professional or product liability, warranty or other claims against us as well as reputational harm, especially if public safety is impacted. These liabilities could exceed our insurance limits or the fees we generate, or could impact our ability to obtain insurance in the future. In addition, clients, subcontractors or suppliers who have agreed to indemnify us against any such liabilities or losses might refuse or be unable to pay us. An uninsured claim, either in part or in whole, if successful and of a material magnitude, could have a substantial impact on our operations.

Table of Contents

***We are dependent upon suppliers and subcontractors to complete many of our contracts.***

Much of the work performed under our contracts is actually performed by third-party subcontractors. We also rely on third-party suppliers to provide much of the equipment and materials used for projects. If we are unable to hire qualified subcontractors or find qualified suppliers, our ability to successfully complete a project could be impaired. If the amount we are required to pay for subcontractors or equipment and supplies exceeds what we have estimated, especially in a fixed-price type contract, we may suffer losses on these contracts. If a supplier or subcontractor fails to provide supplies, technology, equipment or services as required under a contract to us, our joint venture partner, our client or any other party involved in the project for any reason, or provides supplies, technology, equipment or services that are not an acceptable quality, we may be required to source those supplies, technology, equipment or services on a delayed basis or at a higher price than anticipated, which could impact contract profitability. In addition, faulty workmanship, equipment or materials could impact the overall project, resulting in claims against us for failure to meet required project specifications. These risks may be intensified during the current economic downturn if these suppliers or subcontractors experience financial difficulties or find it difficult to obtain sufficient financing to fund their operations or access to bonding, and are not able to provide the services or supplies necessary for our business. In addition, in instances where Fluor relies on a single contracted supplier or subcontractor or a small number of suppliers or subcontractors, if a subcontractor or supplier were to fail there can be no assurance that the marketplace can provide replacement technology, equipment, materials or services in a timely basis or at the costs we had anticipated. A failure by a third-party subcontractor or supplier to comply with applicable laws, rules or regulations could negatively impact our business and could result in fines, penalties, suspension or in the case of government contracts even debarment.

***Our businesses could be materially and adversely affected by events outside of our control.***

Extraordinary or force majeure events beyond our control, such as natural or man-made disasters, could negatively impact our ability to operate or increase our costs to operate. As an example, from time to time we face unexpected severe weather conditions which may result in delays in our operations; evacuation of personnel and curtailment of services; increased labor and material costs or shortages; inability to deliver materials, equipment and personnel to jobsites in accordance with contract schedules; and loss of productivity. We may remain obligated to perform our services after any such natural or man-made disasters, unless a contract provision provides us with relief from our obligations. The extra costs incurred as a result of these events may not be reimbursed by our clients. If we are not able to react quickly to such events, or if a high concentration of our projects are in a specific geographic region that suffers from a natural or man-made disaster, our operations may be significantly affected, which could have a negative impact on our operations. In addition, if we cannot complete our contracts on time, we may be subject to potential liability claims by our clients which may reduce our profits and result in losses.

***Our U.S. government contracts and contracting rights may be terminated or otherwise adversely impacted at any time, and our inability to win or renew government contracts during regulated procurement processes could harm our operations and reduce our projects and revenues.***

We enter into significant government contracts, from time to time, such as those contracts that we have in place with the U.S. Department of Energy and Department of Defense. U.S. government contracts are subject to various uncertainties, restrictions and regulations, including oversight audits by government representatives and profit and cost controls, which could result in withholding or delay of payments to us. U.S. government contracts are also subject to uncertainties associated with Congressional funding, including the potential impacts of budget deficits and federal sequestration. A significant portion of our business is derived as a result of U.S. government regulatory, military and infrastructure priorities. Changes in these priorities, which can occur due to policy changes or changes in the economy, could adversely impact our revenues. For example, the U.S. government has continued to close bases in Afghanistan where we have performed significant work under the Logistics Civil Augmentation Program ("LOGCAP IV"). Moreover, existing contracts we are operating under could be moved from one

Table of Contents

government department to another which could result in a termination of that contract. The U.S. government is under no obligation to maintain program funding at any specific level and funds for a program may even be eliminated. Our U.S. government clients may terminate or decide not to renew our contracts with little or no prior notice.

In addition, U.S. government contracts are subject to specific regulations such as the Federal Acquisition Regulation ("FAR"), the Truth in Negotiations Act, the Cost Accounting Standards ("CAS"), the Service Contract Act and Department of Defense security regulations. Failure to comply with any of these regulations and other government requirements may result in contract price adjustments, financial penalties or contract termination. Our U.S. government contracts are also subject to audits, cost reviews and investigations by U.S. government contracting oversight agencies such as the U.S. Defense Contract Audit Agency (the "DCAA"). The DCAA reviews the adequacy of and our compliance with our internal control systems and policies (including our labor, billing, accounting, purchasing, estimating, compensation and management information systems). The DCAA also has the ability to review how we have accounted for costs under the FAR and CAS. The DCAA presents its report findings to the Defense Contract Management Agency ("DCMA"). Should the DCMA determine that we have not complied with the terms of our contract and applicable statutes and regulations, or if they believe that we have engaged in inappropriate accounting or other activities, payments to us may be disallowed or we could be required to refund previously collected payments. Additionally, we may be subject to criminal and civil penalties, suspension or debarment from future government contracts, and qui tam litigation brought by private individuals on behalf of the U.S. government under the False Claims Act, which could include claims for treble damages. Furthermore, in this environment, if we have significant disagreements with our government clients concerning costs incurred, negative publicity could arise which could adversely affect our industry reputation and our ability to compete for new contracts.

Most U.S. government contracts are awarded through a rigorous competitive process. The U.S. government has increasingly relied upon multiple-year contracts with pre-established terms and conditions that generally require those contractors that have been previously awarded the contract to engage in an additional competitive bidding process for each task order issued under the contract. Such processes require successful contractors to anticipate requirements and develop rapid-response bid and proposal teams as well as dedicated supplier relationships and delivery systems to react to these needs. We face rigorous competition and significant pricing pressures in order to win these task orders. If we are not successful in reducing costs or able to timely respond to government requests, we may not win additional awards. Moreover, even if we are qualified to work on a government contract, we may not be awarded the contract because of existing government policies designed to protect small businesses and under-represented minority contractors. Our inability to win or renew government contracts during the procurement processes could harm our operations and reduce our profits and revenues.

Many of our U.S. government contracts require security clearances. Depending upon the level of clearance required, security clearances can be difficult and time-consuming to obtain. If we or our employees are unable to obtain or retain necessary security clearances, we may not be able to win new business, and our existing government clients could terminate their contracts with us or decide not to renew them, thus adversely affecting our revenues.

Under the Budget Control Act of 2011, an automatic sequestration process, or across-the-board budget cuts (a large portion of which was defense-related), was triggered when the Joint Select Committee on Deficit Reduction, a committee of twelve members of Congress, failed to agree on a deficit reduction plan for the U.S. federal budget. The sequestration began on March 1, 2013. Although the Bipartisan Budget Act of 2013 provides some sequester relief until the end of 2017, absent additional legislative or other remedial action, the sequestration requires reduced U.S. federal government spending from 2017 through 2025. A significant reduction in federal government spending or a change in budgetary priorities could reduce demand for our services, cancel or delay federal projects, and result in the closure of federal facilities and significant personnel reductions, which could have a material adverse effect on our results of operations and financial condition.

Table of Contents

If one or more of our U.S. government contracts are terminated for any reason including for convenience, if we are suspended or debarred from U.S. government contract work, or if payment of our cost is disallowed, we could suffer a significant reduction in expected revenue and profits.

***Employee, agent or partner misconduct or our overall failure to comply with laws or regulations could weaken our ability to win contracts, which could result in reduced revenues and profits.***

Misconduct, fraud, non-compliance with applicable laws and regulations, or other improper activities by one of our employees, agents or partners could have a significant negative impact on our business and reputation. Such misconduct could include the failure to comply with anti-corruption, export control and environmental regulations; federal procurement regulations, regulations regarding the pricing of labor and other costs in government contracts and regulations regarding the protection of sensitive government information; regulations on lobbying or similar activities; regulations pertaining to the internal control over financial reporting; and, various other applicable laws or regulations. The precautions we take to prevent and detect fraud, misconduct or failures to comply with applicable laws and regulations may not be effective, and we could face unknown risks or losses. Our failure to comply with applicable laws or regulations or acts of fraud or misconduct could subject us to fines and penalties, loss of security clearance and suspension or debarment from contracting with government agencies, which could weaken our ability to win contracts and have a material adverse impact on our revenues and profits.

***Changes in our effective tax rate and tax positions may vary.***

We are subject to income taxes in the United States and numerous foreign jurisdictions. A change in tax laws, treaties or regulations, or their interpretation, in any country in which we operate could result in a higher tax rate on our earnings, which could have a material impact on our earnings and cash flows from operations. In addition, significant judgment is required in determining our worldwide provision for income taxes. In the ordinary course of our business, there are many transactions and calculations where the ultimate tax determination is uncertain. We are regularly under audit by tax authorities, and our tax estimates and tax positions could be materially affected by many factors including the final outcome of tax audits and related litigation, the introduction of new tax accounting standards, legislation, regulations and related interpretations, our global mix of earnings, the realizability of deferred tax assets and changes in uncertain tax positions. A significant increase in our tax rate could have a material adverse effect on our profitability and liquidity.

***Systems and information technology interruption, as well as new systems implementation, could adversely impact our ability to operate and our operating results.***

As a global company, we are heavily reliant on computer, information and communications technology and related systems in order to operate. From time to time, we experience system interruptions and delays that may be planned for upgrades or that may be unplanned. Unplanned interruptions include natural disasters, power loss, telecommunications failures, acts of war or terrorism, acts of God, computer viruses, physical or electronic break-ins and similar events or disruptions. Any of these or other events could cause system interruption, delays, loss of critical or sensitive data (including private data) or loss of funds; could delay or prevent operations (including the processing of transactions and reporting of financial results); and could adversely affect our reputation or our operating results.

We continue to evaluate the need to upgrade and/or replace our systems and network infrastructure to protect our computing environment, to stay current on vendor supported products and to improve the efficiency of our systems and for other business reasons. The implementation of new systems and information technology could adversely impact our operations by imposing substantial capital expenditures, demands on management time and risks of delays or difficulties in transitioning to new systems. And, our systems implementations may not result in productivity improvements at the levels anticipated. Systems implementation disruption and any other information technology disruption, if not anticipated and appropriately mitigated, could have a material adverse effect on our business.

Table of Contents

***We could be adversely affected by violations of the U.S. Foreign Corrupt Practices Act and similar worldwide anti-bribery laws.***

The U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act of 2010 and similar anti-bribery laws in other jurisdictions generally prohibit companies and their intermediaries from making improper payments to officials or others for the purpose of obtaining or retaining business. Our policies mandate compliance with these anti-bribery laws. We operate in many parts of the world that have experienced corruption to some degree and, in certain circumstances, strict compliance with anti-bribery laws may conflict with local customs and practices. We train our personnel concerning anti-bribery laws and issues, and we also inform our partners, subcontractors, suppliers, agents and others who work for us or on our behalf that they must comply with anti-bribery law requirements. We also have procedures and controls in place to monitor compliance. We cannot assure that our internal controls and procedures always will protect us from the possible reckless or criminal acts committed by our employees or agents. If we are found to be liable for anti-bribery law violations (either due to our own acts or our inadvertence, or due to the acts or inadvertence of others including our partners, agents, subcontractors or suppliers), we could suffer from criminal or civil penalties or other sanctions, including contract cancellations or debarment, and loss of reputation, any of which could have a material adverse effect on our business. Litigation or investigations relating to alleged or suspected violations of anti-bribery laws, even if ultimately such litigation or investigations demonstrate that we did not violate anti-bribery laws, could be costly and could divert management's attention away from other aspects of our business.

***New or changing legal requirements could adversely effect out operating results.***

Our business and results of operations could be affected by the passage of climate change, defense, environmental, infrastructure, trade and other laws, policies and regulations. For example, growing concerns about climate change may result in the imposition of additional environmental regulations. Legislation, international protocols or treaties, regulation or other restrictions on emissions could affect our clients, including those who (a) are involved in the exploration, production or refining of fossil fuels such as our Energy, Chemicals & Mining segment clients, (b) emit greenhouse gases through the combustion of fossil fuels, including some of our power business clients or (c) emit greenhouse gases through the mining, manufacture, utilization or production of materials or goods. Such legislation or restrictions could increase the costs of projects for us and our clients or, in some cases, prevent a project from going forward, thereby potentially reducing the need for our services which could in turn have a material adverse effect on our operations and financial condition. However, legislation and regulation regarding climate change could also increase the pace of development of carbon capture and storage projects, alternative transportation, alternative energy facilities, such as wind farms or nuclear reactors or incentivize increased implementation of clean fuel projects which could positively impact the demand for our services. As another example, the implementation of trade barriers, countervailing duties, or border taxes, or the addition, relaxation or repeal of laws, policies and regulations regarding the industries and sectors in which we work could result in a decline in demand for our services, or may make the manner in which we perform our services, especially from outside the United States, less cost efficient. Furthermore, changes to existing trade agreements may impact our business operations. We cannot predict when or whether any of these various legislative and regulatory proposals may become law or what their effect will be on us and our customers.

***We could be adversely impacted if we fail to comply with domestic and international import and export laws.***

Our global operations require importing and exporting goods and technology across international borders on a regular basis. Our policies mandate strict compliance with U.S. and foreign international trade laws. To the extent we export technical services, data and products outside of the United States, we are subject to U.S. and international laws and regulations governing international trade and exports including but not limited to the International Traffic in Arms Regulations, the Export Administration Regulations and trade sanctions against embargoed countries, which are administered by the Office of Foreign Assets Control with the Department of Treasury. From time to time, we identify certain

Table of Contents

inadvertent or potential export or related violations. These violations may include, for example, transfers without required governmental authorization. A failure to comply with these laws and regulations could result in civil or criminal sanctions, including the imposition of fines, the denial of export privileges and suspension or debarment from participation in U.S. government contracts.

***Past and future environmental, safety and health regulations could impose significant additional cost on us that reduce our profits.***

We are subject to numerous environmental laws and health and safety regulations. Our projects can involve the handling of hazardous and other highly regulated materials, including nuclear and other radioactive materials, which, if improperly handled or disposed of, could subject us to civil and criminal liabilities. It is impossible to reliably predict the full nature and effect of judicial, legislative or regulatory developments relating to health and safety regulations and environmental protection regulations applicable to our operations. The applicable regulations, as well as the technology and length of time available to comply with those regulations, continue to develop and change. The cost of complying with rulings and regulations, satisfying any environmental remediation requirements for which we are found responsible, or satisfying claims or judgments alleging personal injury, property damage or natural resource damages as a result of exposure to or contamination by hazardous materials, including as a result of commodities such as lead or asbestos-related products, could be substantial, may not be covered by insurance, could reduce our profits and therefore could materially impact our future operations.

In addition, risks associated with nuclear projects, due to their size, construction duration and complexity, may be increased by new and modified permitting, licensing and regulatory approvals and requirements that can be even more stringent and time consuming than similar conventional projects. Our company, along with our investment in NuScale, is subject to a number of regulations such as the U.S. Nuclear Regulatory Commission and non-U.S. regulatory bodies, such as the International Atomic Energy Commission and the European Union, which can have a substantial effect on our nuclear operations and investments. Delays in receiving necessary approvals, permits or licenses, the failure to maintain sufficient compliance programs, and other problems encountered during construction (including changes to such regulatory requirements) could significantly increase our costs or have an adverse effect on our results of operations, our return on investments, our financial position and our cash flow.

A substantial portion of our business is generated either directly or indirectly as a result of federal, state, local and foreign laws and regulations related to environmental matters. A reduction in the number or scope of these laws or regulations, or changes in government policies regarding the funding, implementation or enforcement of such laws and regulations, could significantly reduce the size of one of our markets and limit our opportunities for growth or reduce our revenue below current levels.

***If we do not have adequate indemnification for our nuclear services, it could adversely affect our business and financial condition.***

We provide services to the U.S. Department of Energy and the nuclear energy industry in the on-going maintenance and modification of nuclear facilities as well as decontamination and decommissioning activities of nuclear plants. The Price-Anderson Act generally indemnifies parties performing services to nuclear power plants and Department of Energy contractors; however, not all activities we engage in on behalf of our clients are covered. Thus, if the Price-Anderson Act indemnification protections do not apply to our services, or if the exposure occurs outside of the United States in a region that does not have protections comparable to the Price-Anderson Act, our business and financial condition could be adversely affected by our client's refusal to contract with us, by our inability to obtain commercially reasonable insurance or third party indemnification, or by the potentially significant monetary damages we could incur.

Through a joint venture, we also provide services to the United Kingdom's Nuclear Decommissioning Agency ("NDA") relating to the clean up and decommissioning of certain public sector sites in the United Kingdom. Indemnification provisions under the Nuclear Installations Act of 1965 available to nuclear site

Table of Contents

licensees, the Atomic Energy Authority and the Crown, and contractual indemnification from the NDA do not apply to every liability that we might incur while performing services for the NDA. If the Nuclear Installations Act of 1965 and contractual indemnification provisions do not apply to our services or if our exposure occurs outside of the United Kingdom, our business and financial condition could be adversely affected.

***Foreign currency risks could have an adverse impact on company revenue, earnings and/or backlog.***

Certain of our contracts subject us to foreign currency risk, particularly when project contract revenue is denominated in a currency different than the contract costs. In addition, our operational cash flows and cash balances, though predominately held in U.S. dollars, may consist of different currencies at various points in time in order to execute our project contracts globally and meet transactional requirements. We may attempt to minimize our exposure to foreign currency risk by obtaining contract provisions that protect us from foreign currency fluctuations and/or by implementing hedging strategies utilizing derivatives as hedging instruments. However, these actions may not always eliminate all foreign currency risk, and as a result our profitability on certain projects could be affected.

Our monetary assets and liabilities denominated in nonfunctional currencies are subject to currency fluctuations when measured period to period for financial reporting purposes. In addition, the U.S. dollar value of our backlog may from time to time increase or decrease significantly due to foreign currency volatility. We may also be exposed to limitations on our ability to reinvest earnings from operations in one country to fund our operations in other countries.

The company's reported revenue and earnings of foreign subsidiaries could be affected by foreign currency volatility. Revenue, cost and earnings of foreign subsidiaries with functional currencies other than the U.S. dollar are translated into U.S. dollars for reporting purposes. If the U.S. dollar appreciates against a foreign subsidiary's non-U.S. dollar functional currency, the company would report less revenue, cost and earnings in U.S. dollars than it would have had the U.S. dollar depreciated against the same foreign currency or if there had been no change in the exchange rate.

***Our business may be negatively impacted if we are unable to adequately protect intellectual property rights.***

Our success is dependent, in part, on our ability to differentiate our services through our technologies and know-how. This success includes the ability of companies in which we invest, such as NuScale to protect their intellectual property rights. We rely principally on a combination of patents, copyrights, trade secrets, confidentiality agreements and other contractual arrangements to protect our interests. However, these methods only provide a limited amount of protection and may not adequately protect our interests. This can be especially true in certain foreign countries that do not protect intellectual property rights to the same extent as the laws of the United States. We cannot provide assurances that others will not independently develop technology substantially similar to our trade secret technology or that we can successfully preserve our intellectual property rights in the future. Our intellectual property rights could be invalidated, circumvented, challenged or infringed upon. Litigation to determine the scope of intellectual property rights, even if ultimately successful, could be costly and could divert management's attention away from other aspects of our business.

In addition, our clients or other third parties may also provide us with their technology and intellectual property. There is a risk that we may not sufficiently protect our or their information from improper use or dissemination and, as a result, could be subject to claims and litigation and resulting liabilities, loss of contracts or other consequences that could have an adverse impact on our business, financial condition and results of operation.

We also hold licenses from third parties which may be utilized in our business operations. If we are no longer able to license such technology on commercially reasonable terms or otherwise, our business and financial performance could be adversely affected.



Table of Contents

***Our continued success requires us to hire and retain qualified personnel.***

The success of our business is dependent upon being able to attract and retain personnel, including engineers, project management and craft employees around the globe, who have the necessary and required experience and expertise, and who will perform these services at a reasonable and competitive rate. Competition for these and other experienced personnel is intense. It may be difficult to attract and retain qualified individuals with the expertise and in the timeframe demanded by our clients. In certain geographic areas, for example, we may not be able to satisfy the demand for our services because of our inability to successfully hire and retain qualified personnel. Also, it may be difficult to replace personnel who hold government granted eligibility that may be required to obtain certain government projects and/or who have significant government contract experience.

As some of our executives and other key personnel approach retirement age, we need to provide for smooth transitions, which may require that we devote time and resources to identify and integrate new personnel into these leadership roles and other key positions. If we are unable to attract and retain a sufficient number of skilled personnel or effectively implement appropriate succession plans, our ability to pursue projects may be adversely affected, the costs of executing our existing and future projects may increase and our financial performance may decline.

In addition, the cost of providing our services, including the extent to which we utilize our workforce, affects our profitability. For example, the uncertainty of contract award timing can present difficulties in matching our workforce size with our contracts. If an expected contract award is delayed or not received, we could incur costs resulting from excess staff, reductions in staff, or redundancy of facilities that could have a material adverse impact on our business, financial conditions and results of operations.

***Our employees work on projects that are inherently dangerous and in locations where there are high security risks, and a failure to maintain a safe work site could result in significant losses.***

We often work on large-scale and complex projects, frequently in geographically remote or high risk locations that are subject to political, social or economic risks, or war or civil unrest. In those locations where we have employees or operations, we may expend significant efforts and incur substantial security costs to maintain the safety of our personnel. In addition, our project sites can place our employees and others near large equipment, dangerous processes or substances or highly regulated materials, and in challenging environments. Safety is a primary focus of our business and is critical to our reputation and performance. Often, we are responsible for safety on the project sites where we work. Many of our clients require that we meet certain safety criteria to be eligible to bid on contracts, and some of our contract fees or profits are subject to satisfying safety criteria. Unsafe work conditions also have the potential of increasing employee turnover, increasing project costs and raising our operating costs. If we fail to implement appropriate safety procedures and/or if our procedures fail, our employees or others may suffer injuries or even loss of life, the completion of a project could be delayed and we could experience investigations or litigation. Although we maintain functional groups whose primary purpose is to implement effective health, safety and environmental procedures throughout our company, the failure to comply with such procedures, client contracts or applicable regulations could subject us to losses and liability. And, despite these activities, in these locations and at these sites, we cannot guarantee the safety of our personnel, nor damage to or loss of work, equipment or supplies.

***We may need to raise additional capital in the future for working capital, capital expenditures and/or acquisitions, and we may not be able to do so on favorable terms or at all, which would impair our ability to operate our business or achieve our growth objectives.***

Our ongoing ability to generate cash is important for the funding of our continuing operations, making acquisitions, investing in joint ventures and the servicing of our indebtedness. To the extent that existing cash balances and cash flow from operations, together with borrowing capacity under our existing credit facilities, are insufficient to make investments or acquisitions or provide needed working capital, we may require additional financing from other sources. Our ability to obtain such additional financing in the

Table of Contents

future will depend in part upon prevailing capital market conditions, as well as conditions in our business and our operating results; and those factors may affect our efforts to arrange additional financing on terms that are acceptable to us. Furthermore, if global economic, political or other market conditions adversely affect the financial institutions which provide credit to us, it is possible that our ability to draw upon our credit facilities may be impacted. If adequate funds are not available, or are not available on acceptable terms, we may not be able to make future investments, take advantage of acquisitions or other opportunities, or respond to competitive challenges.

***We may be unable to win new contract awards if we cannot provide clients with letters of credit, bonds or other security or credit enhancements.***

In certain of our business lines it is industry practice for customers to require surety bonds, letters of credit, bank guarantees or other forms of credit enhancement. Surety bonds, letters of credit or guarantees indemnify our clients if we fail to perform our obligations under our contracts. Historically, we have had strong surety bonding capacity due to our industry leading credit rating, but, bonding is provided at the surety's sole discretion. In addition, because of the overall limitations in worldwide bonding capacity, we may find it difficult to find sufficient surety bonding capacity to meet our total surety bonding needs. With regard to letters of credit, while we have had adequate capacity under our existing credit facilities, any capacity that may be required in excess of our credit limits would be at our lenders' sole discretion and therefore is not certain. Failure to provide credit enhancements on terms required by a client may result in an inability to compete for or win a project.

***Any acquisitions, dispositions or other investments may present risks or uncertainties.***

We have made and expect to continue to pursue selective acquisitions or dispositions of businesses, or investments in strategic business opportunities. We cannot provide assurances that we will be able to locate suitable acquisitions or investments, or that we will be able to consummate any such transactions on terms and conditions acceptable to us, or that such transactions will be successful. Acquisitions may bring us into businesses we have not previously conducted or jurisdictions where we have had little to no prior operations experience and thus expose us to additional business risks that are different from those we have traditionally experienced. We also may encounter difficulties identifying all significant risks during our due diligence activities or integrating acquisitions and successfully managing the growth we expect to experience from these acquisitions. We may not be able to successfully cause a buyer of a divested business to assume the liabilities of that business or, even if such liabilities are assumed, we may have difficulties enforcing our rights, contractual or otherwise, against the buyer. We may invest in companies or businesses that fail, causing a loss of all or part of our investment. In addition, if we determine that an other-than-temporary decline in the fair value exists for a company in which we have invested, we may have to write down that investment to its fair value and recognize the related write-down as an investment loss. For cases in which we are required under the equity method or the proportionate consolidation method of accounting to recognize a proportionate share of another company's income or loss, such income or loss may impact our earnings.

***Although we expect to realize certain benefits as a result of our acquisitions, there is a possibility that we may be unable to successfully integrate our businesses in order to realize the anticipated benefits of these acquisitions or do so within the intended timeframe.***

As a result of recent acquisitions or with regard to future acquisitions, or those that may occur in the future, we have been and will continue to devote significant management attention and resources to integrating the business practices and operations of companies we acquire. Difficulties we may encounter in the integration process include:

A delay in the integration of management teams, strategies, operations, products and services;

Diversion of the attention of management as a result of the acquisition;

Table of Contents

The consequences of a change in tax treatment, including the costs of integration and compliance, and the possibility that the anticipated benefits of the acquisition will not be realized;

Differences in corporate culture and management philosophies;

The ability to retain key personnel;

The challenges of integrating complex systems, technology, networks and other assets into ours in a way that minimizes any adverse effects on the business; and

Potential unknown liabilities and unforeseen increased expenses or delays associated with the acquisition, including the costs to integrate beyond current estimates.

Any of these factors could affect each company's ability to maintain business relationships or our ability to achieve the anticipated benefits of the acquisition, or could reduce our earnings or otherwise adversely affect our business and financial results.

***Our actual results could differ from the assumptions and estimates used to prepare our financial statements.***

In preparing our financial statements, we are required under U.S. generally accepted accounting principles to make estimates and assumptions as of the date of the financial statements. These estimates and assumptions affect the reported values of assets, liabilities, revenue and expenses, and the disclosure of contingent assets and liabilities. Areas requiring significant estimates by our management include:

recognition of contract revenue, costs, profits or losses in applying the principles of percentage-of-completion accounting;

recognition of revenues related to project incentives or awards we expect to receive;

recognition of recoveries under contract change orders or claims;

estimated amounts for expected project losses, warranty costs, contract close-out or other costs;

collectability of billed and unbilled accounts receivable and the need and amount of any allowance for doubtful accounts;

asset valuations;

income tax provisions and related valuation allowances;

determination of expense and potential liabilities under pension and other post-retirement benefit programs; and

accruals for other estimated liabilities, including litigation and insurance revenues/reserves.

Our actual business and financial results could differ from our estimates of such results, which could have a material negative impact on our financial condition and reported results of operations.

*It can be very difficult or expensive to obtain the insurance we need for our business operations.*

As part of business operations we maintain insurance both as a corporate risk management strategy and to satisfy the requirements of many of our contracts. Although in the past we have been generally able to cover our insurance needs, there can be no assurances that we can secure all necessary or appropriate insurance in the future, or that such insurance can be economically secured. For example, catastrophic events can result in decreased coverage limits, more limited coverage, increased premium costs or deductibles. We also monitor the financial health of the insurance companies from which we procure insurance, and this is one of the factors we take into account when purchasing insurance. Our insurance is purchased from a number of the world's leading providers, often in layered insurance or quota share arrangements. If any of our third party insurers fail, abruptly cancel our coverage or otherwise cannot satisfy their insurance requirements to us, then our overall risk exposure and operational expenses could be increased and our business operations could be interrupted.

Table of Contents

*In the event we make acquisitions using our stock as consideration, stockholders' ownership percentage would be diluted.*

We intend to grow our business not only organically but also potentially through acquisitions. One method of paying for acquisitions or to otherwise fund our corporate initiatives is through the issuance of additional equity securities. If we do issue additional equity securities, the issuance would have the effect of diluting our earnings per share and stockholders' percentage ownership.

*Delaware law and our charter documents may impede or discourage a takeover or change of control.*

Fluor is a Delaware corporation. Various anti-takeover provisions under Delaware law impose impediments on the ability of others to acquire control of us, even if a change of control would be beneficial to our stockholders. In addition, certain provisions of our charters and bylaws may impede or discourage a takeover. For example:

stockholders may not act by written consent;

there are various restrictions on the ability of a stockholder to call a special meeting or to nominate a director for election;  
and

our Board of Directors can authorize the issuance of preferred shares.

These types of provisions in our charters and bylaws could also make it more difficult for a third party to acquire control of us, even if the acquisition would be beneficial to our stockholders. Accordingly, stockholders may be limited in the ability to obtain a premium for their shares.

**Item 1B. *Unresolved Staff Comments***

None.

**Item 2. *Properties***

**Major Facilities**

Operations of Fluor and its subsidiaries are conducted at both owned and leased properties in domestic and foreign locations totaling approximately 7.2 million rentable square feet. Our executive offices are located at 6700 Las Colinas Boulevard, Irving, Texas. As our business and the mix of structures are constantly changing, the extent of utilization of the facilities by particular segments cannot be accurately stated. In addition, certain owned or leased properties of Fluor and its subsidiaries are leased or

Table of Contents

subleased to third party tenants. While we have operations worldwide, the following table describes the location and general character of our more significant existing facilities:

<b>Location</b>	<b>Interest</b>
<b>United States:</b>	
Greenville, South Carolina	Owned
Houston (Sugar Land), Texas	Leased
Irving, Texas (Corporate Headquarters)	Owned
Southern California (Aliso Viejo, Irvine and Long Beach)	Leased
<b>Canada:</b>	
Calgary, Alberta	Owned and Leased
Vancouver, British Columbia	Leased
<b>Latin America:</b>	
Buenos Aires, Argentina	Leased
Mexico City, Mexico	Leased
Santiago, Chile	Owned and Leased
<b>Europe, Africa and Middle East:</b>	
Al Khobar, Saudi Arabia	Owned
Amsterdam, the Netherlands	Owned
Farnborough, England	Owned and Leased
Gliwice, Poland	Owned
Johannesburg, South Africa	Leased
<b>Asia/Asia Pacific:</b>	
Cebu, the Philippines	Leased
Manila, the Philippines	Owned and Leased
New Delhi, India	Leased
Perth, Australia	Leased
Shanghai, China	Leased

We also lease or own a number of sales, administrative and field construction offices, warehouses and equipment yards strategically located throughout the world. In addition, through various joint ventures, we fabricate in Mexico, Canada, Russia and China.

**Item 3. Legal Proceedings**

Fluor and its subsidiaries, as part of their normal business activities, are parties to a number of legal proceedings and other matters in various stages of development. Management periodically assesses our liabilities and contingencies in connection with these matters based upon the latest information available. We disclose material pending legal proceedings pursuant to Securities and Exchange Commission rules and other pending matters as we may determine to be appropriate.

For information on legal proceedings and matters in dispute, see "14. Contingencies and Commitments" in the Notes to Consolidated Financial Statements.

**Item 4. Mine Safety Disclosures**

Not applicable.

Table of Contents**PART II****Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities**

Our common stock is traded on the New York Stock Exchange under the symbol "FLR." The following table sets forth for the quarters indicated the high and low sales prices of our common stock, as reported in the Consolidated Transactions Reporting System, and the cash dividends paid per share of common stock.

**Common Stock**

	Price Range		Dividends Per Share
	High	Low	
<b>Year Ended December 31, 2016</b>			
Fourth Quarter	\$ 57.78	\$ 44.05	\$ 0.21
Third Quarter	\$ 54.45	\$ 47.91	\$ 0.21
Second Quarter	\$ 55.69	\$ 45.80	\$ 0.21
First Quarter	\$ 55.48	\$ 39.48	\$ 0.21
<b>Year Ended December 31, 2015</b>			
Fourth Quarter	\$ 50.91	\$ 40.61	\$ 0.21
Third Quarter	\$ 53.48	\$ 40.70	\$ 0.21
Second Quarter	\$ 62.26	\$ 52.72	\$ 0.21
First Quarter	\$ 61.06	\$ 51.80	\$ 0.21

Any future cash dividends will depend upon our results of operations, financial condition, cash requirements, availability of surplus and such other factors as our Board of Directors may deem relevant. See "Item 1A. Risk Factors."

At February 13, 2017, there were 139,355,412 shares outstanding and 4,915 stockholders of record of the company's common stock. The company estimates there were an additional 185,321 stockholders whose shares were held by banks, brokers or other financial institutions at February 7, 2017.

**Issuer Purchases of Equity Securities**

The following table provides information as of the three months ended December 31, 2016 about purchases by the company of equity securities that are registered by the company pursuant to Section 12 of the Exchange Act.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under Plans or Programs <sup>(1)</sup>
October 1 - October 31, 2016		\$		11,610,219
November 1 - November 30, 2016				11,610,219
December 1 - December 31, 2016				11,620,219
Total		\$		

(1)

The share repurchase program was originally announced on November 3, 2011 for 12,000,000 shares and has been amended to increase the size of the program by an aggregate 34,000,000 shares, most recently in February 2016 with an increase of 10,000,000 shares. The company continues to repurchase shares from time to time in open market transactions or privately negotiated transactions, including through pre-arranged trading programs, at its discretion, subject to market conditions and other factors and at such time and in amounts that the company deems appropriate.





Edgar Filing: FLUOR CORP - Form 10-K

Table of Contents

**Item 6. Selected Financial Data**

The following table presents selected financial data for the last five years. This selected financial data should be read in conjunction with the consolidated financial statements and related notes included in "Item 15. Exhibits and Financial Statement Schedules." Amounts are expressed in millions, except for per share and employee information:

	Year Ended December 31,				
	2016	2015	2014	2013	2012
<b>CONSOLIDATED OPERATING RESULTS</b>					
Total revenue	\$ 19,036.5	\$ 18,114.0	\$ 21,531.6	\$ 27,351.6	\$ 27,577.1
Earnings from continuing operations before taxes	546.6	726.6	1,204.9	1,177.6	733.5
Amounts attributable to Fluor Corporation:					
Earnings from continuing operations <sup>(1)</sup>	\$ 281.4	418.2	\$ 715.5	\$ 667.7	\$ 456.3
Loss from discontinued operations, net of taxes		(5.7)	(204.6)		
Net earnings <sup>(1)</sup>	\$ 281.4	\$ 412.5	\$ 510.9	\$ 667.7	\$ 456.3
Basic earnings (loss) per share attributable to Fluor Corporation:					
Earnings from continuing operations <sup>(1)</sup>	\$ 2.02	\$ 2.89	\$ 4.54	\$ 4.11	\$ 2.73
Loss from discontinued operations, net of taxes		(0.04)	(1.30)		
Net earnings <sup>(1)</sup>	\$ 2.02	\$ 2.85	\$ 3.24	\$ 4.11	\$ 2.73
Diluted earnings (loss) per share attributable to Fluor Corporation:					
Earnings from continuing operations <sup>(1)</sup>	\$ 2.00	\$ 2.85	\$ 4.48	\$ 4.06	\$ 2.71
Loss from discontinued operations, net of taxes		(0.04)	(1.28)		
Net earnings <sup>(1)</sup>	\$ 2.00	\$ 2.81	\$ 3.20	\$ 4.06	\$ 2.71
Cash dividends per common share declared	\$ 0.84	\$ 0.84	\$ 0.84	\$ 0.64	\$ 0.64
Return on average shareholders' equity <sup>(2)</sup>	9.1%	13.6%	20.1%	18.6%	13.0%
<b>CONSOLIDATED FINANCIAL POSITION</b>					
Current assets	\$ 5,610.3	\$ 5,105.4	\$ 5,417.8	\$ 5,757.9	\$ 5,844.3
Current liabilities	3,816.0	2,935.4	3,330.9	3,407.2	3,887.1
Working capital	1,794.3	2,170.0	2,086.9	2,350.7	1,957.2
Property, plant and equipment, net	1,017.2	892.3	980.3	967.0	951.3
Total assets	9,216.4	7,625.4	8,187.5	8,320.7	8,272.5
Capitalization					
1.750% Senior Notes	523.6				
3.375% Senior Notes	496.0	495.2	494.3	493.5	492.7
3.5% Senior Notes	492.4	491.4	490.4		
1.5% Convertible Senior Notes			18.3	18.4	18.5
Revolving Credit Facility	52.7				
Other debt obligations	35.5		10.4	11.4	26.3
Shareholders' equity	3,125.2	2,997.3	3,110.9	3,757.0	3,341.3
Total capitalization	4,725.4	3,983.9	4,124.3	4,280.3	3,878.8
Common shares outstanding at year end	139.3	139.0	148.6	161.3	162.4

**OTHER DATA**

Edgar Filing: FLUOR CORP - Form 10-K

New awards	\$ 20,959.2	\$ 21,846.2	\$ 28,831.1	\$ 25,085.6	\$ 27,129.2
Backlog at year end <sup>(3)</sup>	45,011.9	44,726.1	42,481.5	34,907.1	38,199.4
Capital expenditures	235.9	240.2	324.7	288.5	254.7
Cash provided by operating activities	705.9	849.1	642.6	788.9	603.8
Cash utilized by investing activities	(741.4)	(66.5)	(199.1)	(234.6)	(13.7)
Cash utilized by financing activities	(10.4)	(728.2)	(666.4)	(369.6)	(616.6)
Employees at year end					
Salaried employees	28,681	27,195	27,643	29,425	32,592
Craft/hourly employees	32,870	11,563	9,865	8,704	8,601
Total employees	61,551	38,758	37,508	38,129	41,193

- (1) Net earnings attributable to Fluor Corporation in 2016 included a pre-tax charge of \$265 million (or \$1.20 per diluted share) related to forecast revisions for estimated cost increases on a petrochemicals project in the United States.

Table of Contents

Net earnings attributable to Fluor Corporation in 2015 included a pre-tax pension settlement charge of \$240 million (or \$1.04 per diluted share), a pre-tax loss of \$60 million (or \$0.26 per diluted share) resulting from forecast revisions for a large gas-fired power plant in Brunswick County, Virginia, and a pre-tax gain of \$68 million (or \$0.30 per diluted share) related to the sale of 50 percent of the company's ownership interest in its principal operating subsidiary in Spain to facilitate the formation of an Energy, Chemicals & Mining joint venture. Net earnings attributable to Fluor Corporation in 2015 also included an after-tax loss from discontinued operations of \$6 million (or \$0.04 per diluted share) resulting from the settlement of lead exposure cases related to the previously divested lead business of St. Joe Minerals Corporation and The Doe Run Company in Herculaneum, Missouri and the payment of legal fees incurred in connection with a pending indemnification action against the buyer of the lead business for these settlements and others. The tax effect associated with this loss was \$3 million.

Net earnings attributable to Fluor Corporation in 2014 included an after-tax loss from discontinued operations of \$205 million (or \$1.28 per diluted share) in connection with the reassessment of estimated loss contingencies related to the divested lead business. The tax effect associated with this loss was \$112 million.

Net earnings attributable to Fluor Corporation in 2013 included pre-tax income of \$57 million (or \$0.22 per diluted share) resulting from the favorable resolution of various issues with the U.S. government related to 2001 - 2013. Of this amount, \$31 million was the result of resolving challenges as to the reimbursability of certain costs, \$11 million was the result of a favorable court ruling that resolved certain disputed items and \$15 million was related to the closeout and final disposition of other matters.

Net earnings attributable to Fluor Corporation in 2012 included pre-tax charges of \$416 million (or \$1.57 per diluted share) for the Greater Gabbard Offshore Wind Farm Project ("Greater Gabbard Project"), a pre-tax gain of \$43 million (or \$0.16 per diluted share) on the sale of the company's unconsolidated interest in a telecommunications company located in the United Kingdom and tax benefits of \$43 million (\$0.25 per diluted share) associated with the net reduction of tax reserves for various domestic and international disputed items and a U.S. Internal Revenue Service ("IRS") settlement.

See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages 34 to 51 and Notes to Consolidated Financial Statements on pages F-8 to F-51 for additional information relating to significant items affecting the results of operations for 2014 - 2016.

(2)

Return on average shareholders' equity is calculated based on net earnings from continuing operations attributable to Fluor Corporation divided by the average shareholders' equity of the five most recent quarters.

(3)

The company began including the unfunded portion of multi-year government contract new awards in its backlog as of December 31, 2013 to be more comparable to industry practice. As a result of this change, total backlog included \$2.7 billion, \$912 million, \$2.1 billion and \$983 million of unfunded government contracts as of December 31, 2016, 2015, 2014 and 2013, respectively.

**Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations**

**Introduction**

The following discussion and analysis is provided to increase the understanding of, and should be read in conjunction with, the Consolidated Financial Statements and accompanying Notes. For purposes of reviewing this document, "segment profit" is calculated as revenue less cost of revenue and earnings attributable to noncontrolling interests excluding: corporate general and administrative expense; interest expense; interest income; domestic and foreign income taxes; other non-operating income and expense items; and loss from discontinued operations. For a reconciliation of total segment profit to earnings from continuing operations before taxes, see Note 17 in the Notes to Consolidated Financial Statements.

**Results of Operations**

Consolidated revenue for 2016 was \$19.0 billion compared to \$18.1 billion for 2015. During 2016, revenue growth in the Industrial, Infrastructure & Power, Government and Maintenance, Modification & Asset Integrity segments were partially offset by a revenue decline in the Energy, Chemicals & Mining segment. The revenue growth resulted primarily from increased project execution activities for several power projects, as well as revenue contributions from the acquired Stork business. Revenue in the Energy, Chemicals & Mining segment decreased due to reduced levels of project execution activities in the mining and metals business line and for certain large chemicals projects that were completed or nearing completion in the prior year.

## Edgar Filing: FLUOR CORP - Form 10-K

Consolidated revenue for 2015 was \$18.1 billion compared to \$21.5 billion for 2014. This decrease was principally due to certain large upstream projects that were completed or nearing completion and a significant decline in project execution activities in the mining and metals business line of the Energy,

Table of Contents

Chemicals and Mining segment as well as reduced project execution activities in the infrastructure business line of the Industrial, Infrastructure & Power segment.

Earnings from continuing operations before taxes for 2016 decreased 25 percent to \$547 million from \$727 million in 2015. Earnings from continuing operations before taxes for 2016 were adversely affected by pre-tax charges totaling \$265 million related to forecast revisions for estimated cost increases on a petrochemicals project in the Energy, Chemicals & Mining segment, which were partially offset by higher contributions from power projects in the Industrial, Infrastructure & Power segment. Earnings from continuing operations before taxes for 2016 were also affected by higher corporate general and administrative expenses.

Earnings from continuing operations before taxes for 2015 decreased 40 percent to \$727 million from \$1.2 billion in 2014 primarily due to a pre-tax pension settlement charge of \$240 million (discussed below). The decrease in earnings from continuing operations before taxes in 2015 also reflected reduced contributions from the power and infrastructure business lines of the Industrial, Infrastructure & Power segment. These declines were partially offset by a \$68 million pre-tax gain related to the sale of 50 percent of the company's ownership interest in its principal operating subsidiary in Spain to facilitate the formation of an Energy, Chemicals & Mining joint venture.

During 2015, the company settled the remaining obligations associated with the U.S. defined benefit pension plan (the "U.S. plan"). Plan participants received vested benefits from the plan assets by electing either a lump-sum distribution, roll-over contribution to other defined contribution or individual retirement plans, or an annuity contract with a third-party provider. As a result of the settlement, the company was relieved of any further obligation. During 2015, the company recorded a pension settlement charge of \$240 million which consisted primarily of unrecognized actuarial losses included in accumulated other comprehensive loss.

As discussed in Note 2 of the Notes to Consolidated Financial Statements, the company recorded an after-tax loss from discontinued operations of \$205 million (net of taxes of \$112 million) during 2014 in connection with the reassessment of estimated loss contingencies related to the lead business of St. Joe Minerals Corporation and The Doe Run Company in Herculaneum, Missouri, which the company sold in 1994. During 2015, the company recorded an after-tax loss from discontinued operations of \$6 million (net of taxes of \$3 million) resulting from the settlement of lead exposure cases and the payment of legal fees related to the divested lead business. The company has filed suit against the buyer seeking indemnification for all liabilities arising from these lead exposure cases.

The effective tax rate on earnings from continuing operations was 40.1 percent, 33.8 percent and 29.3 percent for 2016, 2015 and 2014, respectively. The 2016 rate was unfavorably impacted by foreign losses without a tax benefit and by an adjustment to deferred tax assets as a result of the issuance of treasury regulations under Internal Revenue Code Section 987 for foreign currency translation gains and losses. The unfavorable impact was partially offset by a benefit from the resolution of an IRS audit for tax years 2012 - 2013 and the domestic production activities deduction. The 2015 rate was impacted unfavorably by foreign losses without a tax benefit, partially offset by benefits resulting from an IRS settlement for tax years 2004 - 2005 and the conclusion of an IRS audit for tax years 2009 - 2011. The 2014 rate was impacted favorably by the release of previously unrecognized tax positions related to the conclusion of an IRS audit for tax years 2006 - 2008, the reversal of certain valuation allowances, and the domestic production activities deduction. All periods benefitted from earnings attributable to noncontrolling interests for which income taxes are not typically the responsibility of the company.

Diluted earnings per share from continuing operations in 2016 were \$2.00 which were adversely affected by forecast revisions for estimated cost increases on a petrochemicals project in the United States of \$1.20 per diluted share. Diluted earnings per share from continuing operations in 2015 were \$2.85, including a pension settlement charge of \$1.04 per diluted share. Diluted earnings per share from continuing operations were \$4.48 in 2014. In addition to the pension settlement charge, the decrease in 2015 earnings was driven by the lower performance of the segments noted above in the discussion of

Table of Contents

earnings from continuing operations before taxes. The impact of having fewer outstanding shares due to the repurchase of common stock slightly offset the reduction in earnings.

The company's results reported by foreign subsidiaries with non-U.S. dollar functional currencies are affected by foreign currency volatility. When the U.S. dollar appreciates against the non-U.S. dollar functional currencies of these subsidiaries, the company's reported revenue, cost and earnings, after translation into U.S. dollars, are lower than what they would have been had the U.S. dollar depreciated against the same foreign currencies or if there had been no change in the exchange rates.

The company's margins, in some cases, may be favorably or unfavorably impacted by a change in the mix of work performed or a change in the amount of materials and customer-furnished materials, which are accounted for as pass-through costs. Segment profit margins are generally higher during the earlier stages of the project life cycle as project execution activities are more heavily weighted to higher margin engineering activities rather than lower margin construction activities, particularly when there is a significant amount of materials, including customer-furnished materials, recognized during construction. During 2015, the Energy, Chemicals & Mining segment experienced higher segment profit margin when compared to 2014 due to a greater mix of engineering activities compared to the prior year. This trend is expected to reverse in the near term as some of our larger projects progress into the construction phase of the project life cycle.

The Energy, Chemicals & Mining segment remains well positioned for new project activity; however, declining commodity prices have affected the timing of new awards and the pace of execution on certain existing projects.

Consolidated new awards for 2016 were \$21.0 billion compared to \$21.8 billion in 2015 and \$28.8 billion in 2014. The Energy, Chemicals & Mining; Industrial, Infrastructure & Power; and Government segments were the significant drivers of new award activity during 2016, including an award for the Tengiz Oil Expansion Project in Kazakhstan that was awarded in the third quarter. The Energy, Chemicals & Mining and Industrial, Infrastructure & Power segments were the major contributors to the new award activity during 2015. The major contributors of new award activity during 2014 were the Energy, Chemicals & Mining and Government segments. Approximately 46 percent of consolidated new awards for 2016 were for projects located outside of the United States compared to 48 percent for 2015.

Consolidated backlog was \$45.0 billion as of December 31, 2016, \$44.7 billion as of December 31, 2015, and \$42.5 billion as of December 31, 2014. The higher backlog at the end of 2016 was due to significant new awards and project adjustments in the Energy, Chemicals & Mining and Industrial, Infrastructure & Power segments, partially offset by an adjustment for a liquefied natural gas project that was suspended in the third quarter. The higher backlog at the end of 2015 was primarily due to significant new awards in the Industrial, Infrastructure & Power segment, partially offset by declines in backlog in the mining and metals business line of the Energy, Chemicals & Mining segment and the Government segment. As of December 31, 2016, approximately 48 percent of consolidated backlog related to projects located outside of the United States compared to 59 percent as of December 31, 2015.

On March 1, 2016, the company acquired 100 percent of Stork Holding B.V. ("Stork") for an aggregate purchase price of €695 million (or approximately \$756 million), including the assumption of debt and other liabilities. Stork, based in the Netherlands, is a global provider of maintenance, modification and asset integrity services associated with large existing industrial facilities in the oil and gas, chemicals, petrochemicals, industrial and power markets. The company paid €276 million (or approximately \$300 million) in cash consideration. The operations of Stork are reported in the Maintenance, Modification & Asset Integrity segment below. See Note 18 to the Consolidated Financial Statements for a further discussion of the acquisition.

In February 2016, the company made an initial cash investment of \$350 million in COOEC Fluor Heavy Industries Co., Ltd. ("CFHI"), a joint venture in which the company has a 49% ownership interest and Offshore Oil Engineering Co., Ltd., a subsidiary of China National Offshore Oil Corporation, has 51% ownership interest. Through CFHI, the two companies own, operate and manage the Zhuhai Fabrication

Table of Contents

Yard in China's Guangdong province. An additional investment of \$62 million was made in September 2016 and another \$78 million is expected to be made in September 2017.

For a more detailed discussion of operating performance of each business segment, corporate general and administrative expense and other items, see " Segment Operations" and " Corporate, Tax and Other Matters" below.

**Discussion of Critical Accounting Policies and Estimates**

The company's discussion and analysis of its financial condition and results of operations is based upon its Consolidated Financial Statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The company's significant accounting policies are described in the Notes to Consolidated Financial Statements. The preparation of the Consolidated Financial Statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities. Estimates are based on information available through the date of the issuance of the financial statements and, accordingly, actual results in future periods could differ from these estimates. Significant judgments and estimates used in the preparation of the Consolidated Financial Statements apply to the following critical accounting policies:

*Engineering and Construction Contracts* Contract revenue is recognized on the percentage-of-completion method based on contract cost incurred to date compared to total estimated contract cost. Contracts are generally segmented between types of services, such as engineering and construction, and accordingly, gross margin related to each activity is recognized as those separate services are rendered. The percentage-of-completion method of revenue recognition requires the company to prepare estimates of cost to complete for contracts in progress. In making such estimates, judgments are required to evaluate contingencies such as potential variances in schedule and the cost of materials, labor cost and productivity, the impact of change orders, liability claims, contract disputes and achievement of contractual performance standards. Changes in total estimated contract cost and losses, if any, are recognized in the period they are determined. Pre-contract costs are expensed as incurred. The majority of the company's engineering and construction contracts provide for reimbursement on a cost-plus, fixed-fee or percentage-fee basis. As of December 31, 2016, 73 percent of the company's backlog was cost reimbursable while 27 percent was for fixed-price, lump-sum or guaranteed maximum contracts. In certain instances, the company provides guaranteed completion dates and/or achievement of other performance criteria. Failure to meet schedule or performance guarantees could result in unrealized incentive fees or liquidated damages. In addition, increases in contract cost can result in non-recoverable cost which could exceed revenue realized from the projects. The company generally provides limited warranties for work performed under its engineering and construction contracts. The warranty periods typically extend for a limited duration following substantial completion of the company's work on a project. Historically, warranty claims have not resulted in material costs incurred, and any estimated costs for warranties are included in the individual project cost estimates for purposes of accounting for long-term contracts.

The company has made claims arising from the performance under its contracts. The company recognizes revenue, but not profit, for certain claims (including change orders in dispute and unapproved change orders in regard to both scope and price) when it is determined that recovery of incurred cost is probable and the amounts can be reliably estimated. Under claims accounting (ASC 605-35-25), these requirements are satisfied when (a) the contract or other evidence provides a legal basis for the claim, (b) additional costs were caused by circumstances that were unforeseen at the contract date and not the result of deficiencies in the company's performance, (c) claim-related costs are identifiable and considered reasonable in view of the work performed, and (d) evidence supporting the claim is objective and verifiable. Cost, but not profit, associated with unapproved change orders is accounted for in revenue when it is probable that the cost will be recovered through a change in the contract price. In circumstances where recovery is considered probable, but the revenue cannot be reliably estimated, cost attributable to change orders is deferred pending determination of the impact on contract price. If the requirements for recognizing revenue for claims or unapproved change orders are met, revenue is recorded only to the

Table of Contents

extent that costs associated with the claims or unapproved change orders have been incurred. Back charges to suppliers or subcontractors are recognized as a reduction of cost when it is determined that recovery of such cost is probable and the amounts can be reliably estimated. Disputed back charges are recognized when the same requirements described above for claims accounting have been satisfied. The company periodically evaluates its positions and amounts recognized with respect to all its claims and back charges. As of December 31, 2016 and 2015, the company had recorded \$61 million and \$30 million, respectively, of claim revenue for costs incurred to date and such costs are included in contract work in progress. Additional costs, which will increase the claim revenue balance over time, are expected to be incurred in future periods. The company had also recorded disputed back charges totaling \$41 million as of December 31, 2016. The company believes the ultimate recovery of amounts related to these claims and back charges is probable in accordance with ASC 605-35-25.

Backlog in the engineering and construction industry is a measure of the total dollar value of work to be performed on contracts awarded and in progress. Although backlog reflects business that is considered to be firm, cancellations, deferrals or scope adjustments may occur. Backlog is adjusted to reflect any known project cancellations, revisions to project scope and cost, and deferrals, as appropriate.

*Engineering and Construction Partnerships and Joint Ventures* Certain contracts are executed jointly through partnership and joint venture arrangements with unrelated third parties. Generally, these arrangements are characterized by a 50 percent or less ownership interest that requires only a small initial investment. The arrangements are often formed for the single business purpose of executing a specific project and allow the company to share risks and secure specialty skills required for project execution.

In accordance with ASC 810, "Consolidation," the company assesses its partnerships and joint ventures at inception to determine if any meet the qualifications of a variable interest entity ("VIE"). The company considers a partnership or joint venture a VIE if either (a) the total equity investment is not sufficient to permit the entity to finance its activities without additional subordinated financial support, (b) characteristics of a controlling financial interest are missing (either the ability to make decisions through voting or other rights, the obligation to absorb the expected losses of the entity or the right to receive the expected residual returns of the entity), or (c) the voting rights of the equity holders are not proportional to their obligations to absorb the expected losses of the entity and/or their rights to receive the expected residual returns of the entity, and substantially all of the entity's activities either involve or are conducted on behalf of an investor that has disproportionately few voting rights. Upon the occurrence of certain events outlined in ASC 810, the company reassesses its initial determination of whether the partnership or joint venture is a VIE. The majority of the company's partnerships and joint ventures qualify as VIEs because the total equity investment is typically nominal and not sufficient to permit the entity to finance its activities without additional subordinated financial support.

The company also evaluates whether it is the primary beneficiary of each VIE and consolidates the VIE if the company has both (a) the power to direct the economically significant activities of the entity and (b) the obligation to absorb losses of, or the right to receive benefits from, the entity that could potentially be significant to the VIE. The company considers the contractual agreements that define the ownership structure, distribution of profits and losses, risks, responsibilities, indebtedness, voting rights and board representation of the respective parties in determining whether it qualifies as the primary beneficiary. The company also considers all parties that have direct or implicit variable interests when determining whether it is the primary beneficiary. In most cases, the company does not qualify as the primary beneficiary. When the company is determined to be the primary beneficiary, the VIE is consolidated. As required by ASC 810, management's assessment of whether the company is the primary beneficiary of a VIE is continuously performed.

For partnerships and joint ventures in the construction industry, unless full consolidation is required, the company generally recognizes its proportionate share of revenue, cost and profit in its Consolidated Statement of Earnings and uses the one-line equity method of accounting in the Consolidated Balance Sheet, which is a common application of ASC 810-10-45-14 in the construction industry. The most significant application of the proportionate consolidation method is in the Energy, Chemicals & Mining,



Table of Contents

Industrial, Infrastructure & Power and Government segments. The cost and equity methods of accounting are also used, depending on the company's respective ownership interest and amount of influence on the entity, as well as other factors. At times, the company also executes projects through collaborative arrangements for which the company recognizes its relative share of revenue and cost.

*Deferred Taxes and Uncertain Tax Positions* Deferred tax assets and liabilities are recognized for the expected future tax consequences of events that have been recognized in the company's financial statements or tax returns. As of December 31, 2016, the company had deferred tax assets of \$ 814 million which were partially offset by a valuation allowance of \$81 million and further reduced by deferred tax liabilities of \$279 million. The valuation allowance reduces certain deferred tax assets to amounts that are more likely than not to be realized. The valuation allowance for 2016 primarily relates to the deferred tax assets on certain net operating loss carryforwards for U.S. and non-U.S. subsidiaries. The company evaluates the realizability of its deferred tax assets by assessing its valuation allowance and by adjusting the amount of such allowance, if necessary. The factors used to assess the likelihood of realization are the company's forecast of future taxable income and available tax planning strategies that could be implemented to realize the net deferred tax assets. Failure to achieve forecasted taxable income in the applicable taxing jurisdictions could affect the ultimate realization of deferred tax assets and could result in an increase in the company's effective tax rate on future earnings.

Income tax positions must meet a more-likely-than-not recognition threshold to be recognized. Income tax positions that previously failed to meet the more-likely-than-not threshold are recognized in the first subsequent financial reporting period in which that threshold is met. Previously recognized tax positions that no longer meet the more-likely-than-not threshold are derecognized in the first subsequent financial reporting period in which that threshold is no longer met. The company recognizes potential interest and penalties related to unrecognized tax benefits within its global operations in income tax expense.

*Retirement Benefits* The company accounts for its defined benefit pension plans in accordance with ASC 715-30, "Defined Benefit Plans Pension." As required by ASC 715-30, the unfunded or overfunded projected benefit obligation is recognized in the company's financial statements. Assumptions concerning discount rates, long-term rates of return on plan assets and rates of increase in compensation levels are determined based on the current economic environment in each host country at the end of each respective annual reporting period. The company evaluates the funded status of each of its retirement plans using these current assumptions and determines the appropriate funding level considering applicable regulatory requirements, tax deductibility, reporting considerations and other factors. Assuming no changes in current assumptions, the company expects to contribute up to \$15 million to its defined benefit pension plans in 2017, which is expected to be in excess of the minimum funding required. If the discount rates were reduced by 25 basis points, plan liabilities would increase by approximately \$51 million.

**Segment Operations**

The company provides professional services in the fields of engineering, procurement, construction, fabrication and modularization, commissioning and maintenance, as well as project management services, on a global basis and serves a diverse set of industries worldwide. During the first quarter of 2016, the company changed the composition of its reportable segments to better reflect the diverse end markets that the company serves. The company now reports its operating results in four reportable segments as follows: Energy, Chemicals & Mining; Industrial, Infrastructure & Power; Government; and Maintenance, Modification & Asset Integrity. Segment operating information and assets for 2015 and 2014 have been recast to reflect these changes. For more information on the business segments see "Item 1. Business" above.

Table of Contents**Energy, Chemicals & Mining**

Revenue and segment profit for the Energy, Chemicals & Mining segment are summarized as follows:

(in millions)	Year Ended December 31,		
	2016	2015	2014
Revenue	\$ 9,754.2	\$ 11,865.4	\$ 14,563.0
Segment profit	401.5	866.6	869.2

Revenue in 2016 decreased by 18 percent compared to 2015 primarily due to a significant decline in volume of the mining and metals business line, as well as a reduced volume of project execution activities for certain large chemicals projects that were completed or nearing completion in the prior year. Revenue in 2015 decreased by 19 percent compared to 2014, primarily due to lower project execution activities for certain large upstream projects that were completed or nearing completion in 2014 and volume declines in the mining and metals business line, which were partially offset by an increase in project execution activities for numerous petrochemicals projects on the Gulf Coast of the United States and downstream projects across various regions.

Segment profit in 2016 significantly decreased compared to 2015. Segment profit in 2016 was adversely affected by forecast revisions for estimated cost increases on a petrochemicals project in the United States of \$265 million. The decrease in segment profit was also driven by reduced contributions from the mining and metals business line and certain upstream projects that were completed or nearing completion in the prior year. Segment profit in 2015 was essentially flat as compared to 2014. Higher contributions associated with the increase in project execution activities for numerous downstream projects across various regions were offset by reduced contributions from the mining and metals business line and upstream projects that were completed or nearing completion in 2014.

Segment profit margin was 4.1 percent, 7.3 percent and 6.0 percent for the years ended December 31, 2016, 2015 and 2014, respectively. Segment profit margin in 2016 was primarily affected by forecast revisions on the large petrochemicals project discussed above. The improvement in segment profit margin in 2015 was largely attributable to the continued shift in the mix of work from lower margin construction activities to higher margin engineering activities and positive contributions from the downstream projects that were completed or nearing completion. Segment profit margin in 2015 further benefitted from the company's cost optimization activities when compared to 2014.

New awards in the Energy, Chemicals & Mining segment were \$8.4 billion in 2016, \$12.0 billion in 2015 and \$20.7 billion in 2014. New awards in 2016 included an upstream project for the Tengiz Oil Expansion Project in Kazakhstan and a bauxite mine project in Guinea. New awards in 2015 included a refinery project in Kuwait, a large natural gas transmission project in the United States, production and chemicals work in Canada, and additional refinery projects in Europe and the United States. New awards in 2014 included a significant amount of the engineering, procurement and construction value of a liquefied natural gas facility in Canada, refinery projects in Kuwait, Malaysia, Mexico and Argentina, an oil sands project in Canada, and a petrochemicals complex on the Gulf Coast of the United States.

Backlog for the Energy, Chemicals & Mining segment was \$21.8 billion as of December 31, 2016, \$29.4 billion as of December 31, 2015 and \$30.5 billion as of December 31, 2014. The reduction in backlog during 2016 resulted primarily from an adjustment for a liquefied natural gas project in Canada that was suspended in the third quarter, as well as new award activity being outpaced by work performed during 2016. The continued decline in oil prices since the latter part of 2014 has affected the timing of new awards and pace of execution on certain existing projects. The mining and metals business line also continues to experience the deferral of major capital investment decisions by some mining customers as a result of softening commodity demand.

Table of Contents

Total assets in the segment were \$2.3 billion as of December 31, 2016 and \$1.7 billion as of December 31, 2015. The increase in total assets primarily resulted from the company's investment in CFHI and increased working capital in support of project execution activities.

**Industrial, Infrastructure & Power**

Revenue and segment profit for the Industrial, Infrastructure & Power segment are summarized as follows:

(in millions)	Year Ended December 31,		
	2016	2015	2014
Revenue	\$ 4,094.5	\$ 2,264.0	\$ 2,854.8
Segment profit (loss)	135.8	(44.9)	147.5

Revenue in 2016 increased 81 percent compared to 2015, primarily due to increased project execution activities in the power business line for several projects, including two nuclear projects and several gas-fired power plants in the southeastern United States. Revenue in 2015 decreased 21 percent compared to 2014, primarily due to reduced project execution activities in the infrastructure business line, which was largely attributable to the completion of a domestic transportation project in 2014.

Segment profit increased significantly in 2016 compared to 2015 primarily due to the higher volume of project execution activities for the power projects mentioned above, as well as the adverse impact in the prior year of a loss of \$60 million resulting from forecast revisions on a large gas-fired power plant in Brunswick County, Virginia. Segment profit decreased significantly in 2015 compared to 2014. Factors contributing to the decline in segment profit during 2015 included the aforementioned loss on the gas-fired power plant in Brunswick County, Virginia, reduced contributions from the infrastructure business line resulting from the completion of a domestic transportation project in 2014 and an increase in NuScale expenses, net of qualified reimbursable expenditures.

Segment profit margin significantly increased in 2016 compared to the prior year principally driven by the same factors affecting segment profit. Segment profit margin in 2015 decreased over 2014 due to the same factors that drove the decrease in segment profit during 2015.

The Industrial, Infrastructure & Power segment includes the operations of NuScale, which are primarily research and development activities. NuScale expenses, net of qualified reimbursable expenditures, included in the determination of segment profit, were \$92 million, \$80 million and \$46 million for 2016, 2015 and 2014, respectively.

New awards in the Industrial, Infrastructure & Power segment were \$6.2 billion during 2016, \$7.1 billion during 2015 and \$2.3 billion during 2014. New awards in 2016 were primarily in the infrastructure business line and included the Purple Line Light Rail Transit Project in Maryland, the Loop 202 South Mountain Freeway Project in Arizona, the Port Access Road Project in South Carolina, an award on a combined-cycle power plant in Greensville County, Virginia and a pharmaceutical manufacturing facility in North Carolina. New awards in 2015 included a \$5.0 billion award from Westinghouse Electric Company to manage the construction workforce at two Westinghouse nuclear power plant projects in Georgia and South Carolina on a cost-plus, fixed-fee basis, a gas-fired power plant in Florida and a highway project in Texas. New awards in 2014 included A9 Holendrecht Diemen road project in the Netherlands, a gas-fired power plant project in South Carolina and a large manufacturing facility in the United States.

Backlog in the Industrial, Infrastructure & Power segment was \$15.1 billion as of December 31, 2016, \$9.7 billion as of December 31, 2015 and \$5.0 billion as of December 31, 2014. The increases in backlog during 2016 primarily resulted from project adjustments in the power business line for the two Westinghouse nuclear power plant projects discussed above and new awards in the infrastructure business line. The increase in backlog during 2015 resulted from new awards in the power business line discussed above.

Table of Contents

Total assets in the Industrial, Infrastructure & Power segment were \$750 million as of December 31, 2016 and \$544 million as of December 31, 2015. The increase in total assets in the Industrial, Infrastructure & Power segment resulted from increased working capital in support of project execution activities. Total assets as of December 31, 2016 include accounts receivable and contract work in progress totaling \$144 million related to the two Westinghouse nuclear power plant projects.

**Government**

Revenue and segment profit for the Government segment are summarized as follows:

(in millions)	Year Ended December 31,		
	2016	2015	2014
Revenue	\$ 2,720.0	\$ 2,557.4	\$ 2,511.9
Segment profit	85.1	83.1	92.7

Revenue in 2016 increased 6 percent compared to 2015 primarily due to the commencement of project execution activities for the Idaho Cleanup Project Core Contract ("Idaho Core Project") during 2016 and an increase in project execution activities for construction projects within the services business line. These increases were largely offset by lower revenue from the Magnox nuclear decommissioning project in the United Kingdom (the "Magnox RSRL Project") and the continued reduction in project execution activities associated with the LOGCAP IV program in Afghanistan. Revenue in 2015 increased 2 percent compared to 2014 primarily due to the increased project execution activities for several large multi-year decommissioning and cleanup projects awarded in 2014, largely offset by a reduction in project execution activities associated with LOGCAP IV.

Segment profit for 2016 increased 2 percent compared to 2015, primarily due to contributions from the commencement of project execution activities for the Idaho Core Project, as well as the favorable effect of the segment's cost optimization efforts. These increases were offset by reduced contributions from the Magnox RSRL Project and the LOGCAP IV program. Segment profit for 2015 decreased 10 percent compared to 2014, primarily due to the decline in project execution activities for LOGCAP IV. This decline was partially offset by increased contributions from project execution activities for several large multi-year decommissioning and cleanup projects, as well as improved contributions from a base operations support services contract.

Segment profit margin was 3.1 percent, 3.3 percent, and 3.7 percent for the years ended December 31, 2016, 2015 and 2014, respectively. Segment profit margins in 2016 and 2015 declined when compared to 2014 due to lower margin contributions from decommissioning and cleanup projects awarded in recent years, as well as the continued decline in project execution activity for the LOGCAP IV program.

New awards were \$4.6 billion during 2016, \$1.4 billion during 2015, and \$4.7 billion during 2014. New awards in 2016 and 2014 included large awards for multi-year decommissioning and cleanup projects in the segment's environmental and nuclear business line.

Backlog was \$5.2 billion as of December 31, 2016, \$3.6 billion as of December 31, 2015 and \$4.7 billion as of December 31, 2014. Total backlog included \$2.7 billion, \$912 million, and \$2.1 billion of unfunded government contracts as of December 31, 2016, 2015, and 2014, respectively. The increase in backlog in 2016 resulted primarily from the previously mentioned multi-year decommissioning and cleanup project awards in the environmental and nuclear business line.

Total assets in the Government segment were \$494 million as of December 31, 2016 compared to \$495 million as of December 31, 2015.

Table of Contents**Maintenance, Modification & Asset Integrity**

Revenue and segment profit for the Maintenance, Modification & Asset Integrity segment are summarized as follows:

(in millions)	Year Ended December 31,		
	2016	2015	2014
Revenue	\$ 2,467.8	\$ 1,427.2	\$ 1,601.9
Segment profit	121.9	127.4	153.0

Revenue in 2016 increased 73 percent compared to 2015, primarily due to the inclusion of ten months of revenue associated with the acquisition of the Stork business, which closed on March 1, 2016. The increase in revenue from Stork was partially offset by lower revenues for the equipment business due to the demobilization of projects in Latin America and North America and a lower level of project execution activities in both the continuous site presence and power services business lines. Revenue in 2015 decreased 11 percent compared to 2014, primarily due a lower level of project execution activities in the continuous site presence business line's operations in North America and Australia, as well as volume declines in the equipment business line's operations in Mexico, Africa and Afghanistan.

Segment profit in 2016 declined 4.4 percent compared to the prior year resulting primarily from the lower level of project execution activities in the power services and continuous site presence business lines, which exceeded segment profit contributions from Stork. Segment profit in 2015 decreased 17 percent compared to the prior year, principally due to volume declines in the equipment business line's operations in Mexico, Afghanistan and Africa and reduced contributions from the continuous site presence business line.

Segment profit margin was 4.9 percent, 8.9 percent and 9.6 percent for the years ended December 31, 2016, 2015 and 2014, respectively. The decline in segment profit margin in 2016 was principally driven by the inclusion of Stork in 2016. The decline in segment profit margin in 2015 was primarily attributable from the reduced volumes of the equipment business line.

New awards in the Maintenance, Modification & Asset Integrity segment were \$1.8 billion in 2016, \$1.4 billion in 2015 and \$1.1 billion in 2014. Backlog was \$2.9 billion as of December 31, 2016, \$2.1 billion as of December 31, 2015 and \$2.3 billion as of December 31, 2014. The increase in backlog during 2016 was primarily due to the inclusion of backlog from the Stork acquisition.

Total assets in the Maintenance, Modification & Asset Integrity segment were \$2.0 billion as of December 31, 2016 compared to \$924 million as of December 31, 2015. The increase in total assets resulted from the company's acquisition of Stork.

**Corporate, Tax and Other Matters**

*Corporate* For the three years ended December 31, 2016, 2015 and 2014, corporate general and administrative expenses were \$191 million, \$168 million and \$183 million, respectively. The increase in 2016 was primarily attributable to transaction costs and integration activities associated with the Stork acquisition and higher organizational realignment expenses when compared to the prior year, which were partially offset by foreign currency exchange gains. The decline in 2015 resulted primarily from reductions in stock price-driven compensation expense and organizational realignment expenses as compared to 2014.

Net interest expense was \$53 million, \$28 million and \$11 million for the years ended December 31, 2016, 2015 and 2014, respectively. The increase in 2016 was primarily due to interest associated with debt assumed in the Stork acquisition and the €500 million of 1.750% Senior Notes issued in March 2016. Interest expense increased in 2015 compared to 2014 due to the issuance of \$500 million of 3.5% Senior Notes in November 2014.

Table of Contents

*Tax* The effective tax rate on earnings from continuing operations was 40.1 percent, 33.8 percent and 29.3 percent for 2016, 2015 and 2014, respectively. Factors affecting the effective tax rates for 2014 - 2016 are discussed above under " Results of Operations."

**Litigation and Matters in Dispute Resolution**

See Note 14 to the Consolidated Financial Statements.

**Liquidity and Financial Condition**

Liquidity is provided by available cash and cash equivalents and marketable securities, cash generated from operations, credit facilities and access to capital markets. The company has committed and uncommitted lines of credit, which may be used for revolving loans and letters of credit. The company believes that for at least the next 12 months, cash generated from operations, along with its unused credit capacity and substantial cash position, is sufficient to support operating requirements. However, the company regularly reviews its sources and uses of liquidity and may pursue opportunities to increase its liquidity position. The company's financial strategy and consistent performance have earned it strong credit ratings, resulting in competitive advantage and continued access to the capital markets. As of December 31, 2016, the company was in compliance with all of the financial covenants related to its debt agreements.

**Cash Flows**

Cash and cash equivalents were \$1.9 billion as of both December 31, 2016 and 2015. Cash and cash equivalents combined with current and noncurrent marketable securities were \$2.1 billion and \$2.4 billion as of December 31, 2016 and 2015, respectively. Cash and cash equivalents are held in numerous accounts throughout the world to fund the company's global project execution activities. Non-U.S. cash and cash equivalents amounted to \$1.0 billion and \$1.3 billion as of December 31, 2016 and 2015, respectively. Non-U.S. cash and cash equivalents exclude deposits of U.S. legal entities that are either swept into overnight, offshore accounts or invested in offshore, short-term time deposits, to which there is unrestricted access.

In evaluating its liquidity needs, the company considers cash and cash equivalents held by its consolidated VIEs (joint ventures and partnerships). These amounts (which totaled \$440 million and \$290 million as of December 31, 2016 and 2015, respectively, as reflected in the Consolidated Balance Sheet) were not necessarily readily available for general purposes. In its evaluation, the company also considers the extent to which the current balance of its advance billings on contracts (which totaled \$764 million and \$754 million as of December 31, 2016 and 2015, respectively, as reflected on the Consolidated Balance Sheet) is likely to be sustained or consumed over the near term for project execution activities and the cash flow requirements of its various foreign operations. In some cases, it may not be financially efficient to move cash and cash equivalents between countries due to statutory dividend limitations and/or adverse tax consequences. The company did not consider any cash to be permanently reinvested overseas as of December 31, 2016 and 2015 and, as a result, has accrued the U.S. deferred tax liability on foreign earnings, as appropriate.

*Operating Activities*

Cash flows from operating activities result primarily from earnings sources and are affected by changes in operating assets and liabilities which consist primarily of working capital balances for projects. Working capital levels vary from year to year and are primarily affected by the company's volume of work. These levels are also impacted by the mix, stage of completion and commercial terms of engineering and construction projects, as well as the company's execution of its projects within budget. Working capital requirements also vary by project and relate to clients in various industries and locations throughout the world. Most contracts require payments as the projects progress. The company evaluates the counterparty credit risk of third parties as part of its project risk review process. The company maintains adequate

## Edgar Filing: FLUOR CORP - Form 10-K

### Table of Contents

reserves for potential credit losses and generally such losses have been minimal and within management's estimates. Additionally, certain projects receive advance payments from clients. A normal trend for these projects is to have higher cash balances during the initial phases of execution which then level out toward the end of the construction phase. As a result, the company's cash position is reduced as customer advances are utilized, unless they are replaced by advances on other projects. The company maintains cash reserves and borrowing facilities to provide additional working capital in the event that a project's net operating cash outflows exceed its available cash balances.

During 2016, working capital decreased primarily due to an increase in accounts payable and a decrease in joint venture net working capital partially offset by increases in accounts receivable and contract work in progress. Specific factors related to these drivers include:

An increase in accounts payable in the Energy, Chemicals & Mining and Industrial, Infrastructure & Power segments which resulted from normal invoicing activities.

A decrease in the net working capital of a project joint venture in the Energy, Chemicals & Mining segment.

An increase in accounts receivable, primarily attributable to work performed for an Energy, Chemicals & Mining joint venture project in the United States.

An increase in contract work in progress in the Industrial, Infrastructure & Power segment, which resulted primarily from normal project execution activities for two nuclear projects.

During 2015, working capital decreased primarily due to a decrease in accounts receivable and contract work in progress and an increase in advance billings partially offset by an increase in prepaid income taxes. Specific factors related to these drivers include:

A decrease in accounts receivable in the Energy, Chemicals & Mining segment, primarily related to collections for a coal bed methane gas project in Australia.

A decrease in contract work in progress in the Energy, Chemicals & Mining segment that resulted primarily from normal project execution activities. A significant contributor to the decrease in contract work in progress in the Energy, Chemicals & Mining segment was a major mine replacement project in Canada.

An increase in advance billings in the Energy, Chemicals & Mining segment which was the result of normal project execution activities for several projects including an upstream project in Russia.

During 2014, working capital increased primarily due to an increase in accounts receivable and decreases in accounts payable and advance billings partially offset by a decrease in contract work in progress. Significant drivers of these fluctuations were:

An increase in accounts receivable in the Energy, Chemicals & Mining segment. The higher accounts receivable balance in 2014 resulted primarily from normal billing activities for various projects and was not indicative of any significant collection or liquidity issues.

A decrease in accounts payable in the Energy, Chemicals & Mining segment. The lower accounts payable balance in 2014 resulted primarily from normal invoicing and payment activities. A significant contributor to the decrease in accounts payable in the Energy, Chemicals & Mining segment was a major mine replacement project in Canada.

Decreases in advance billings in both the Industrial, Infrastructure & Power and Government segments which were the result of normal project execution activities for several projects including a gaseous diffusion plant project in Portsmouth, Ohio.

## Edgar Filing: FLUOR CORP - Form 10-K

A decrease in contract work in progress in the Energy, Chemicals & Mining segment that resulted primarily from normal project execution activities. A significant contributor to the decrease in contract work in progress in the Energy, Chemicals & Mining segment was a coal bed methane gas project in Australia.



Table of Contents

Cash provided by operating activities was \$706 million, \$849 million and \$643 million in 2016, 2015 and 2014, respectively. The decrease in cash provided by operating activities in 2016 resulted primarily from a decline in net working capital inflows compared to 2015 and a lower level of net earnings in 2016. The improvement in cash flows from operating activities in 2015 resulted from favorable year-over-year changes in working capital, partially offset by cash outflows totaling \$316 million associated with discontinued operations as discussed below.

Income tax payments were \$165 million, \$250 million and \$228 million in 2016, 2015 and 2014, respectively.

Cash from operating activities is used to provide contributions to the company's defined contribution and defined benefit pension plans. Contributions into the defined contribution plans during 2016, 2015 and 2014 were \$167 million, \$146 million and \$150 million, respectively. The company contributed approximately \$15 million, \$58 million and \$63 million into its defined benefit pension plans during 2016, 2015 and 2014, respectively. Company contributions to defined benefit pension plans during 2015 primarily related to additional funding to settle the U.S. plan. Company contributions to defined benefit pension plans were higher during 2014 in order to achieve targeted funding levels. Assuming no changes in current assumptions, the company expects to contribute up to \$15 million in 2017 to its defined benefit pension plans, which is expected to be in excess of the minimum funding required. As of December 31, 2016, the accumulated benefit obligation exceeded plan assets for certain defined benefit pension plans in the Netherlands and Germany that the company assumed in the Stork acquisition. Plan assets exceeded the accumulated benefit obligation for each of the other non-U.S. plans (including the company's legacy plan in the Netherlands) as of December 31, 2016. The accumulated benefit obligation exceeded plan assets for the company's legacy plan in the Netherlands as of December 31, 2015. Plan assets exceeded the accumulated benefit obligation for each of the other non-U.S. plans as of December 31, 2015.

In May 2014, NuScale entered into a cooperative agreement establishing the terms and conditions of a multi-year funding award totaling \$217 million under the DOE's Small Modular Reactor Licensing Technical Support Program. NuScale expenses included in the determination of net earnings were \$92 million, \$80 million and \$46 million during 2016, 2015 and 2014, respectively. NuScale expenses for 2016, 2015 and 2014 were reported net of qualified reimbursable expenses of \$57 million, \$65 million and \$38 million, respectively. For further discussion of the cooperative agreement, see Note 1 to the Consolidated Financial Statements.

During 2014, the company recorded a loss from discontinued operations in connection with the reassessment of estimated loss contingencies related to the previously divested lead business of St. Joe Minerals Corporation and The Doe Run Company in Herculaneum, Missouri. In October 2014, the company entered into a settlement agreement with counsel for a number of plaintiffs, and in January 2015, the company paid \$306 million pursuant to the settlement agreement. See Note 2 to the Consolidated Financial Statements for further discussion of the matter.

*Investing Activities*

Cash utilized by investing activities amounted to \$741 million, \$67 million and \$199 million during 2016, 2015 and 2014, respectively. The primary investing activities included purchases, sales and maturities of marketable securities; capital expenditures; disposals of property, plant and equipment; investments in and sales of partnerships and joint ventures; and business acquisitions.

The company holds cash in bank deposits and marketable securities which are governed by the company's investment policy. This policy focuses on, in order of priority, the preservation of capital, maintenance of liquidity and maximization of yield. These investments include money market funds which invest in U.S. Government-related securities, bank deposits placed with highly-rated financial institutions, repurchase agreements that are fully collateralized by U.S. Government-related securities, high-grade commercial paper and high quality short-term and medium-term fixed income securities. During 2016, 2015 and 2014, proceeds from sales and maturities of marketable securities exceeded purchases of such securities by \$162 million, \$25 million and \$9 million, respectively. The company held combined current

Table of Contents

and noncurrent marketable securities of \$255 million and \$418 million as of December 31, 2016 and 2015, respectively.

Capital expenditures of \$236 million, \$240 million and \$325 million during 2016, 2015 and 2014, respectively, primarily related to construction equipment associated with equipment operations in the Maintenance, Modification & Asset Integrity segment, as well as expenditures for land, facilities and investments in information technology. Proceeds from the disposal of property, plant and equipment of \$81 million, \$94 million and \$106 million during 2016, 2015 and 2014, respectively, primarily related to the disposal of construction equipment associated with the equipment operations in the Maintenance, Modification & Asset Integrity segment.

During 2015, the company sold two office buildings located in California for net proceeds of \$82 million and subsequently entered into a twelve year lease with the purchaser. The resulting gain on the sale of the property was approximately \$58 million, of which \$7 million was recognized during the fourth quarter of 2015 and \$4 million was recognized during 2016. For both years, the gain was included in corporate general and administrative expense in the Consolidated Statement of Earnings. The remaining deferred gain of approximately \$47 million will be amortized over the remaining life of the lease on a straight-line basis.

During 2016, the company acquired 100 percent of Stork for an aggregate purchase price of €695 million (or approximately \$756 million), including the assumption of debt and other liabilities. Stork, based in the Netherlands, is a global provider of maintenance, modification and asset integrity services associated with large existing industrial facilities in the oil and gas, chemicals, petrochemicals, industrial and power markets. The company paid €276 million (or approximately \$300 million) in cash consideration. The company borrowed €200 million (or approximately \$217 million) under its \$1.7 billion Revolving Loan and Letter of Credit Facility, and paid €76 million (or approximately \$83 million) of cash on hand to initially finance the Stork acquisition. The €200 million borrowed under the \$1.7 billion Revolving Loan and Letter of Credit Facility was subsequently repaid from the net proceeds of the 2016 Notes as discussed in Note 8 to the Consolidated Financial Statements.

During 2015, the company sold 50% of its ownership of Fluor S.A., its principal Spanish operating subsidiary, to Sacyr Industrial, S.L.U. for a cash purchase price of approximately \$46 million, subject to certain purchase price adjustments. The company deconsolidated the subsidiary and recorded a pre-tax non-operating gain of \$68 million during 2015, which was determined based on the proceeds received on the sale and the estimated fair value of the company's retained 50% noncontrolling interests, less the carrying value of the net assets associated with the former subsidiary.

Investments in unconsolidated partnerships and joint ventures were \$518 million, \$91 million and \$39 million in 2016, 2015 and 2014, respectively. Investments during 2016 included cash investments totaling \$412 million in COOEC Fluor Heavy Industries Co., Ltd. ("CFHI"), a joint venture in which the company has a 49% ownership interest and Offshore Oil Engineering Co., Ltd., a subsidiary of China National Offshore Oil Corporation, has 51% ownership interest. Through CFHI, the two companies own, operate and manage the Zhuhai Fabrication Yard in China's Guangdong province. An additional investment of \$78 million is expected to be made in September 2017.

During 2014, the company sold its interest in two joint ventures in the Industrial, Infrastructure & Power segment for \$44 million. The company had a 10 percent interest in both joint ventures and accounted for these investments using the equity method.

*Financing Activities*

Cash utilized by financing activities during 2016, 2015 and 2014 of \$10 million, \$728 million and \$666 million, respectively, included company stock repurchases, company dividend payments to stockholders, proceeds from the issuance of senior notes, repayments of debt, borrowings and repayments under revolving lines of credit, and distributions paid to holders of noncontrolling interests.

Table of Contents

The company has a common stock repurchase program, authorized by the Board of Directors, to purchase shares in open market or privately negotiated transactions at the company's discretion. The company repurchased 202,650 shares, 10,104,988 shares and 13,331,402 shares of common stock under its current and previously authorized stock repurchase programs resulting in cash outflows of \$10 million, \$510 million and \$906 million in 2016, 2015 and 2014, respectively. As of December 31, 2016, 11,610,219 shares could still be purchased under the existing stock repurchase program.

Quarterly cash dividends are typically paid during the month following the quarter in which they are declared. Therefore, dividends declared in the fourth quarter of 2016 will be paid in the first quarter of 2017. Quarterly cash dividends of \$0.21 per share were declared in 2016, 2015 and 2014. Dividends of \$118 million, \$125 million and \$126 million, were paid during 2016, 2015 and 2014, respectively. The payment and level of future cash dividends is subject to the discretion of the company's Board of Directors.

In March 2016, the company issued €500 million of 1.750% Senior Notes (the "2016 Notes") due March 21, 2023 and received proceeds of €497 million (or approximately \$551 million), net of underwriting discounts. Interest on the 2016 Notes is payable annually on March 21 of each year, beginning on March 21, 2017. Prior to December 21, 2022, the company may redeem the 2016 Notes at a redemption price equal to 100 percent of the principal amount, plus a "make whole" premium described in the indenture. On or after December 21, 2022, the company may redeem the 2016 Notes at 100 percent of the principal amount plus accrued and unpaid interest, if any, to the date of redemption. Additionally, the company may redeem the 2016 Notes at any time upon the occurrence of certain changes in U.S. tax laws, as described in the indenture, at 100 percent of the principal amount plus accrued and unpaid interest, if any, to the date of redemption.

In November 2014, the company issued \$500 million of 3.5% Senior Notes (the "2014 Notes") due December 15, 2024 and received proceeds of \$491 million, net of underwriting discounts. Interest on the 2014 Notes is payable semi-annually on June 15 and December 15 of each year, and began on June 15, 2015. Prior to September 15, 2024, the company may redeem the 2014 Notes at a redemption price equal to 100 percent of the principal amount, plus a "make whole" premium described in the indenture. On or after September 15, 2024, the company may redeem the 2014 Notes at 100 percent of the principal amount plus accrued and unpaid interest, if any, to the date of redemption.

In September 2011, the company issued \$500 million of 3.375% Senior Notes (the "2011 Notes") due September 15, 2021 and received proceeds of \$492 million, net of underwriting discounts. Interest on the 2011 Notes is payable semi-annually on March 15 and September 15 of each year, and began on March 15, 2012. The company may, at any time, redeem the 2011 Notes at a redemption price equal to 100 percent of the principal amount, plus a "make whole" premium described in the indenture.

For the 2016 Notes, the 2014 Notes and the 2011 Notes, if a change of control triggering event occurs, as defined by the terms of the respective indentures, the company will be required to offer to purchase applicable notes at a purchase price equal to 101 percent of their principal amount, plus accrued and unpaid interest, if any, to the date of redemption. The company is generally not limited under the indentures governing the 2016 Notes, the 2014 Notes and the 2011 Notes in its ability to incur additional indebtedness provided the company is in compliance with certain restrictive covenants, including restrictions on liens and restrictions on sale and leaseback transactions.

In conjunction with the acquisition of Stork on March 1, 2016, the company assumed Stork's outstanding debt obligations, including its 11.0% Super Senior Notes due 2017 (the "Stork Notes"), borrowings under a €110 million Super Senior Revolving Credit Facility, and other debt obligations. On March 2, 2016, the company gave notice to all holders of the Stork Notes of the full redemption of the outstanding €273 million (or approximately \$296 million) principal amount of Stork Notes plus a redemption premium of €7 million (or approximately \$8 million) effective March 17, 2016. The redemption of the Stork Notes was initially funded with additional borrowings under the company's \$1.7 billion Revolving Loan and Letter of Credit Facility, which borrowings were subsequently repaid from the net proceeds of the 2016 Notes. Certain other outstanding debt obligations assumed in the Stork acquisition of €20 million (or approximately \$22 million) were settled in March 2016. In April 2016, the

Table of Contents

company repaid and replaced the €110 million Super Senior Revolving Credit Facility with a €125 million Revolving Credit Facility that is available to fund working capital in the ordinary course of business. This replacement facility expires in April 2017 and bears interest at EURIBOR plus .75%. Outstanding borrowings under this facility amounted to €50 million (or approximately \$53 million) as of December 31, 2016.

In February 2004, the company issued \$330 million of 1.5% Convertible Senior Notes (the "2004 Notes") due February 15, 2024 and received proceeds of \$323 million, net of underwriting discounts. In December 2004, the company irrevocably elected to pay the principal amount of the 2004 Notes in cash. During 2014, holders converted less than \$0.1 million of the 2004 Notes in exchange for the principal balance owed in cash plus 1,750 shares of the company's common stock. During the first half of 2015, holders converted \$8 million of the 2004 Notes in exchange for the principal balance owed in cash plus 167,674 shares of the company's common stock at a conversion rate of 37.0997 shares per each \$1,000 principal amount of the 2004 Notes. On May 7, 2015, the company redeemed the remaining \$10 million of outstanding 2004 Notes at a redemption price equal to 100 percent of the principal amount plus accrued and unpaid interest up to (but excluding) May 7, 2015.

Distributions paid to holders of noncontrolling interests represent cash outflows to partners of consolidated partnerships or joint ventures created primarily for the execution of single contracts or projects. Distributions paid were \$58 million, \$59 million and \$138 million in 2016, 2015 and 2014, respectively. Distributions in 2016 primarily related to three transportation joint venture projects in the United States. Distributions in 2015 primarily related to two transportation joint venture projects in the United States and an iron ore joint venture project in Australia. Distributions in 2014 primarily related to two transportation joint venture projects in the United States and a mining joint venture project in Argentina. Capital contributions by joint venture partners were \$9 million, \$5 million and \$3 million in 2016, 2015 and 2014, respectively.

*Effect of Exchange Rate Changes on Cash*

Unrealized translation gains and losses resulting from changes in functional currency exchange rates are reflected in the cumulative translation component of accumulated other comprehensive loss. During 2016, 2015 and 2014, most major foreign currencies weakened against the U.S. dollar resulting in unrealized translation losses of \$103 million, \$166 million and \$197 million, respectively, of which \$54 million, \$98 million and \$68 million, respectively, related to cash held by foreign subsidiaries. The cash held in foreign currencies will primarily be used for project-related expenditures in those currencies, and therefore the company's exposure to exchange gains and losses is generally mitigated.

*Off-Balance Sheet Arrangements*

As of December 31, 2016, the company had a combination of committed and uncommitted lines of credit that may be used for revolving loans and letters of credit. As of December 31, 2016, letters of credit and borrowings totaling \$1.7 billion were outstanding under these committed and uncommitted lines of credit. The committed lines of credit include a \$1.7 billion Revolving Loan and Letter of Credit Facility and a \$1.8 billion Revolving Loan and Letter of Credit Facility. Both facilities mature in February 2021. The company may utilize up to \$1.75 billion in the aggregate of the combined \$3.5 billion committed lines of credit for revolving loans, which may be used for acquisitions and/or general purposes. Each of the credit facilities may be increased up to an additional \$500 million subject to certain conditions, and contain customary financial and restrictive covenants, including a maximum ratio of consolidated debt to tangible net worth of one-to-one and a cap on the aggregate amount of debt of the greater of \$750 million or €750 million for the company's subsidiaries. Borrowings under both facilities, which may be denominated in USD, EUR, GBP or CAD, bear interest at rates based on the Eurodollar Rate or an alternative base rate, plus an applicable borrowing margin.

In connection with the Stork acquisition, the company assumed a €110 million Super Senior Revolving Credit Facility that bore interest at EURIBOR plus 3.75%. In April 2016, the company repaid and

Table of Contents

replaced the €110 million Super Senior Revolving Credit Facility with a €125 million Revolving Credit Facility which may be used for revolving loans, bank guarantees, letters of credit and to fund working capital in the ordinary course of business. This replacement facility expires in April 2017 and bears interest at EURIBOR plus .75%. The €125 million Revolving Credit Facility was included in committed lines of credit as of December 31, 2016. Outstanding borrowings under this facility amounted to €50 million (or approximately \$53 million) as of December 31, 2016.

Letters of credit are provided in the ordinary course of business primarily to indemnify the company's clients if the company fails to perform its obligations under its contracts. Surety bonds may be used as an alternative to letters of credit.

*Guarantees, Inflation and Variable Interest Entities*

*Guarantees*

In the ordinary course of business, the company enters into various agreements providing performance assurances and guarantees to clients on behalf of certain unconsolidated and consolidated partnerships, joint ventures and other jointly executed contracts. These agreements are entered into primarily to support the project execution commitments of these entities. The performance guarantees have various expiration dates ranging from mechanical completion of the project being constructed to a period extending beyond contract completion in certain circumstances. The maximum potential amount of future payments that the company could be required to make under outstanding performance guarantees, which represents the remaining cost of work to be performed by or on behalf of third parties under engineering and construction contracts, was estimated to be \$16 billion as of December 31, 2016. Amounts that may be required to be paid in excess of estimated cost to complete contracts in progress are not estimable. For cost reimbursable contracts, amounts that may become payable pursuant to guarantee provisions are normally recoverable from the client for work performed under the contract. For lump-sum or fixed-price contracts, the performance guarantee amount is the cost to complete the contracted work, less amounts remaining to be billed to the client under the contract. Remaining billable amounts could be greater or less than the cost to complete. In those cases where costs exceed the remaining amounts payable under the contract, the company may have recourse to third parties, such as owners, co-venturers, subcontractors or vendors for claims. The company assessed its performance guarantee obligation as of December 31, 2016 and 2015 in accordance with ASC 460, "Guarantees," and the carrying value of the liability was not material.

Financial guarantees, made in the ordinary course of business in certain limited circumstances, are entered into with financial institutions and other credit grantors and generally obligate the company to make payment in the event of a default by the borrower. These arrangements generally require the borrower to pledge collateral to support the fulfillment of the borrower's obligation.

*Inflation*

Although inflation and cost trends affect the company, its engineering and construction operations are generally protected by the ability to fix the company's cost at the time of bidding or to recover cost increases in cost reimbursable contracts. The company has taken actions to reduce its dependence on external economic conditions; however, management is unable to predict with certainty the amount and mix of future business.

*Variable Interest Entities*

In the normal course of business, the company forms partnerships or joint ventures primarily for the execution of single contracts or projects. The company evaluates each partnership and joint venture to determine whether the entity is a VIE. If the entity is determined to be a VIE, the company assesses whether it is the primary beneficiary and needs to consolidate the entity.

For further discussion of the company's VIEs, see "Discussion of Critical Accounting Policies and Estimates" above and Note 16 to the Consolidated Financial Statements.

Table of Contents**Contractual Obligations**

Contractual obligations as of December 31, 2016 are summarized as follows:

Contractual Obligations	Payments Due by Period				
	Total	1 year or less	2 3 years	4 5 years	Over 5 years
<b>(in millions)</b>					
Debt:					
1.750% Senior Notes	\$ 524	\$	\$	\$	\$ 524
3.375% Senior Notes	496			496	
3.5% Senior Notes	492				492
Revolving Credit Facility	53	53			
Other borrowings	35	29	6		
Interest on debt obligations <sup>(1)</sup>	277	47	86	81	63
Operating leases <sup>(2)</sup>	338	81	113	71	73
Capital leases	31	8	3	1	19
Uncertain tax positions <sup>(3)</sup>	9				9
Joint venture contributions	119	80	19	12	8
Pension minimum funding <sup>(4)</sup>	53	10	21	22	
Other post-employment benefits	16	3	5	4	4
Other compensation-related obligations <sup>(5)</sup>	439	89	108	91	151
<b>Total</b>	<b>2,882</b>	<b>400</b>	<b>361</b>	<b>778</b>	<b>1,343</b>

(1) Interest is based on the borrowings that are presently outstanding and the timing of payments indicated in the above table.

(2) Operating leases are primarily for engineering and project execution office facilities in Texas, California, the United Kingdom and various other U.S and international locations, equipment used in connection with long-term construction contracts and other personal property.

(3) Uncertain tax positions taken or expected to be taken on an income tax return may result in additional payments to tax authorities. The total amount of the accrual for uncertain tax positions related to the company's effective tax rate is included in the "Over 5 years" column as the company is not able to reasonably estimate the timing of potential future payments. If a tax authority agrees with the tax position taken or expected to be taken or the applicable statute of limitations expires, then additional payments would not be necessary.

(4) The company generally provides funding to its international pension plans to at least the minimum required by applicable regulations. In determining the minimum required funding, the company utilizes current actuarial assumptions and exchange rates to forecast estimates of amounts that may be payable for up to five years in the future. In management's judgment, minimum funding estimates beyond a five-year time horizon cannot be reliably estimated. Where minimum funding as determined for each individual plan would not achieve a funded status to the level of accumulated benefit obligations, additional discretionary funding may be provided from available cash resources.

(5) Principally deferred executive compensation.

**Item 7A. Quantitative and Qualitative Disclosures about Market Risk**

Cash and marketable securities are deposited with major banks throughout the world. Such deposits are placed with high quality institutions and the amounts invested in any single institution are limited to the extent possible in order to minimize concentration of counterparty credit risk. Marketable securities consist of time deposits, registered money market funds, U.S. agency securities, U.S. Treasury securities, commercial paper, international government securities and corporate debt securities. The company has not incurred any credit risk losses related to deposits

in cash and marketable securities.

Certain of the company's contracts are subject to foreign currency risk. The company limits exposure to foreign currency fluctuations in most of its engineering and construction contracts through provisions that require client payments in currencies corresponding to the currency in which cost is incurred. As a result, the company generally does not need to hedge foreign currency cash flows for contract work

Table of Contents

performed. However, in cases where revenue and expenses are not denominated in the same currency, the company may hedge its exposure, if material and if an efficient market exists, as discussed below.

The company utilizes derivative instruments to mitigate certain financial exposures, including currency and commodity price risk associated with engineering and construction contracts, currency risk associated with monetary assets and liabilities denominated in nonfunctional currencies and risk associated with interest rate volatility. As of December 31, 2016, the company had total gross notional amounts of \$1 billion of foreign currency contracts of less than three years duration (primarily related to the British Pound, Euro, Kuwaiti Dinar and South Korean Won) and total gross notional amounts of \$2 million of commodity contracts of less than one year duration. The company's historical gains and losses associated with derivative instruments have typically been immaterial, and have largely mitigated the exposures being hedged. The company does not enter into derivative transactions for speculative purposes.

The company's results reported by foreign subsidiaries with non-U.S. dollar functional currencies are also affected by foreign currency volatility. When the U.S. dollar appreciates against the non-U.S. dollar functional currencies of these subsidiaries, the company's reported revenue, cost and earnings, after translation into U.S. dollars, are lower than what they would have been had the U.S. dollar depreciated against the same foreign currencies or if there had been no change in the exchange rates.

The company's long-term debt obligations typically carry a fixed-rate coupon, and therefore, its exposure to interest rate risk is not material.

**Item 8. *Financial Statements and Supplementary Data***

The information required by this Item is submitted as a separate section of this Form 10-K. See "Item 15. Exhibits and Financial Statement Schedules" below.

**Item 9. *Changes in and Disagreements with Accountants on Accounting and Financial Disclosure***

None.

**Item 9A. *Controls and Procedures***

**Evaluation of Disclosure Controls and Procedures**

Our management, with the participation of our chief executive officer and chief financial officer, are responsible for establishing and maintaining "disclosure controls and procedures" (as defined in Rule 13a-15(e) under the Exchange Act) for our company. Based on their evaluation as of the end of the period covered by this report, our chief executive officer and chief financial officer have concluded that our disclosure controls and procedures were effective to ensure that the information required to be disclosed by us in this Annual Report on Form 10-K was (i) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and (ii) accumulated and communicated to our management, including our principal executive and principal financial officers, to allow timely decisions regarding required disclosures.

**Management's Report on Internal Control Over Financial Reporting**

Our management is responsible for establishing and maintaining effective internal control over financial reporting and for the assessment of the effectiveness of internal control over financial reporting. The company's internal control over financial reporting is a process designed, as defined in Rule 13a-15(f) under the Exchange Act, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with generally accepted accounting principles in the United States.

In connection with the preparation of the company's annual consolidated financial statements, management of the company has undertaken an assessment of the effectiveness of the company's internal control over financial reporting based on criteria established in Internal Control Integrated Framework



Table of Contents

issued by the Committee of Sponsoring Organizations of the Treadway Commission (the 2013 COSO framework). Management's assessment included an evaluation of the design of the company's internal control over financial reporting and testing of the operational effectiveness of the company's internal control over financial reporting. Based on this assessment, management has concluded that the company's internal control over financial reporting was effective as of December 31, 2016.

In accordance with guidance issued by the Securities and Exchange Commission, companies are permitted to exclude acquisitions from their final assessment of internal control over financial reporting during the year of the acquisition. Management's assessment of the effectiveness of our internal control over financial reporting as of December 31, 2016 did not include an assessment of the effectiveness of internal control over financial reporting of Stork Holding B.V. ("Stork"), which was acquired on March 1, 2016. The operating results of Stork are included in our consolidated financial statements from the period subsequent to the acquisition date and include \$1.2 billion and \$263 million of total and net assets, respectively, as of December 31, 2016 and \$1.2 billion in revenue for the year ended December 31, 2016.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. 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.

Ernst & Young LLP, the independent registered public accounting firm that audited the company's consolidated financial statements included in this annual report on Form 10-K, has issued an attestation report on the effectiveness of the company's internal control over financial reporting which appears below.

Table of Contents

**Attestation Report of the Independent Registered Public Accounting Firm**

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Board of Directors and Shareholders of Fluor Corporation

We have audited Fluor Corporation's internal control over financial reporting as of December 31, 2016, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). Fluor Corporation'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 included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit 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. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

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 (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) 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 (3) 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.

As indicated in the accompanying Management's Report on Internal Control Over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of Stork Holding B.V., which is included in the 2016 consolidated financial statements of Fluor Corporation and constituted \$1.2 billion and \$263 million of total and net assets, respectively, as of December 31, 2016 and \$1.2 billion of revenues for the year then ended. Our audit of internal control over financial reporting of Fluor Corporation also did not include an evaluation of the internal control over financial reporting of Stork Holding B.V.

In our opinion, Fluor Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Fluor Corporation as of December 31, 2016 and 2015, and the related consolidated statements of earnings, comprehensive income, cash flows and changes in equity for each of the three years in the period ended December 31, 2016 of Fluor Corporation and our report dated February 17, 2017 expressed an unqualified opinion thereon.

/s/Ernst & Young LLP

Dallas, Texas  
February 17, 2017

Table of Contents

**Changes in Internal Control over Financial Reporting**

Except as described below, there have been no changes in our internal control over financial reporting during the fourth quarter of the fiscal year ending December 31, 2016 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

We recently acquired Stork and are in the process of integrating Stork's operations with the operations of Fluor Corporation, including integration of financial reporting processes and procedures and internal controls over financial reporting. We believe we will be able to maintain sufficient controls over our financial reporting throughout this integration process. Because of the size, complexity and timing of the Stork acquisition, the internal controls over financial reporting of Stork have been excluded from our assessment of the effectiveness of our internal control over financial reporting as of December 31, 2016 (as described above).

**Item 9B. Other Information**

None.

**PART III**

**Item 10. Directors, Executive Officers and Corporate Governance**

**Directors, Executive Officers, Promoters and Control Persons**

The information required by Paragraph (a), and Paragraphs (c) through (g) of Item 401 of Regulation S-K (except for information required by Paragraphs (d) (f) of that Item to the extent the required information pertains to our executive officers) and Item 405 of Regulation S-K is set forth in the section entitled "Election of Directors Biographical Information, including Experience, Qualifications, Attributes and Skills" and "Section 16(a) Beneficial Ownership Reporting Compliance" in our definitive proxy statement to be filed with the SEC pursuant to Regulation 14A within 120 days after the close of our fiscal year and is incorporated herein by reference. The information required by Paragraph (b) of Item 401 of Regulation S-K, as well as the information required by Paragraphs (d) (f) of that Item to the extent the required information pertains to our executive officers, is set forth in Part I, Item 1 of this Annual Report on Form 10-K under the heading "Executive Officers of the Registrant."

**Code of Ethics**

We have long maintained and enforced a *Code of Business Conduct and Ethics* that applies to our chief executive officer, chief financial officer, and principal accounting officer and controller. A copy of our Code of Business Conduct and Ethics, as amended, has been posted on the "Sustainability" "Ethics and Compliance" portion of our website [www.fluor.com](http://www.fluor.com).

We have disclosed and intend to continue to disclose any changes or amendments to our code of ethics or waivers from our code of ethics applicable to our chief executive officer, chief financial officer, and principal accounting officer and controller by posting such changes or waivers to our website.

**Corporate Governance**

We have adopted Corporate Governance Guidelines, which are available on our website at [www.fluor.com](http://www.fluor.com) under the "Sustainability" portion of our website under the heading "Corporate Governance Documents" filed under "Governance." Information regarding the Audit Committee is hereby incorporated by reference from the information contained in the section entitled "Corporate Governance Board of Directors Meetings and Committees Audit Committee" in our Proxy Statement.

Table of Contents**Item 11. Executive Compensation**

Information required by this item is included in the following sections of our Proxy Statement for our 2017 annual meeting of stockholders: "Organization and Compensation Committee Report," "Compensation Committee Interlocks and Insider Participation," "Executive Compensation" and "Director Compensation," as well as the related pages containing compensation tables and information, which information is incorporated herein by reference.

**Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters****Equity Compensation Plan Information**

The following table provides information as of December 31, 2016 with respect to the shares of common stock that may be issued under the company's equity compensation plans:

Plan Category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted average exercise price of outstanding options, warrants and rights	(c) Number of securities available for future issuance under equity compensation plans (excluding securities listed in column (a))
Equity compensation plans approved by stockholders <sup>(1)</sup>	4,481,381	\$ 60.45	7,374,485
Equity compensation plans not approved by stockholders			
<b>Total</b>	<b>4,481,381</b>	<b>\$ 60.45</b>	<b>7,374,485</b>

(1)

Consists of the 2014 Restricted Stock Plan for Non-Employee Directors, under which no securities are currently issuable upon exercise of outstanding options, warrants or rights, but under which 437,556 shares remain available for future issuance; the 2003 Executive Performance Incentive Plan (the "2003 Plan"), under which 270,207 shares are currently issuable upon exercise of outstanding options, warrants and rights, but under which no shares remain available for future issuance; and the Amended and Restated 2008 Executive Performance Incentive Plan, under which 4,211,174 shares are currently issuable upon exercise of outstanding options, warrants and rights, and under which 6,936,929 shares remain available for issuance.

The additional information required by this item is included in the "Stock Ownership and Stock-Based Holdings of Executive Officers and Directors" and "Stock Ownership of Certain Beneficial Owners" sections of our Proxy Statement for our 2017 annual meeting of stockholders, which information is incorporated herein by reference.

**Item 13. Certain Relationships and Related Transactions, and Director Independence**

Information required by this item is included in the "Certain Relationships and Related Transactions" and "Board Independence" sections of the "Corporate Governance" portion of our Proxy Statement for our 2017 annual meeting of stockholders, which information is incorporated herein by reference.

**Item 14. Principal Accountant Fees and Services**

Information required by this item is included in the "Ratification of Appointment of Independent Registered Public Accounting Firm" section of our Proxy Statement, which information is incorporated herein by reference.



Table of Contents

**PART IV**

**Item 15. Exhibits and Financial Statement Schedules**

(a)

Documents filed as part of this annual report on Form 10-K:

1. *Financial Statements:*

Our consolidated financial statements at December 31, 2016 and 2015 and for each of the three years in the period ended December 31, 2016 and the notes thereto, together with the report of the independent registered public accounting firm on those consolidated financial statements are hereby filed as part of this annual report on Form 10-K, beginning on page F-1.

2. *Financial Statement Schedules:*

No financial statement schedules are presented since the required information is not present or not present in amounts sufficient to require submission of the schedule, or because the information required is included in the consolidated financial statements and notes thereto.

3. *Exhibits:*

**EXHIBIT INDEX**

<b>Exhibit</b>	<b>Description</b>
3.1	Amended and Restated Certificate of Incorporation of the registrant (incorporated by reference to Exhibit 3.1 to the registrant's Current Report on Form 8-K filed on May 8, 2012).
3.2	Amended and Restated Bylaws of the registrant (incorporated by reference to Exhibit 3.2 to the registrant's Current Report on Form 8-K filed on February 9, 2016).
4.1	Senior Debt Securities Indenture between Fluor Corporation and Wells Fargo Bank, National Association, as trustee, dated as of September 8, 2011 (incorporated by reference to Exhibit 4.3 to the registrant's Current Report on Form 8-K filed on September 8, 2011).
4.2	First Supplemental Indenture between Fluor Corporation and Wells Fargo Bank, National Association, as trustee, dated as of September 13, 2011 (incorporated by reference to Exhibit 4.4 to the registrant's Current Report on Form 8-K filed on September 13, 2011).
4.3	Second Supplemental Indenture between Fluor Corporation and Wells Fargo Bank, National Association, as trustee, dated as of June 22, 2012 (incorporated by reference to Exhibit 4.2 to the registrant's Form S-3ASR filed on June 22, 2012).
4.4	Third Supplemental Indenture between Fluor Corporation and Wells Fargo Bank, National Association, as trustee, dated as of November 25, 2014 (incorporated by reference to Exhibit 4.1 to the registrant's Current Report on Form 8-K filed on November 25, 2014).
4.5	Fourth Supplemental Indenture between Fluor Corporation and Wells Fargo Bank, National Association, as trustee, dated as of March 21, 2016 (incorporated by reference to Exhibit 4.3 to the registrant's Current Report on Form 8-K filed on March 21, 2016).
10.1	Fluor Corporation 2003 Executive Performance Incentive Plan, as amended and restated as of March 30, 2005 (incorporated by reference to Exhibit 10.15 to the registrant's Quarterly Report on Form 10-Q filed on May 5, 2005).
10.2	Form of Compensation Award Agreements for grants under the Fluor Corporation 2003 Executive Performance Incentive Plan (incorporated by reference to Exhibit 10.16 to the registrant's Quarterly Report on Form 10-Q filed on November 9, 2004).



## Edgar Filing: FLUOR CORP - Form 10-K

### Table of Contents

<b>Exhibit</b>	<b>Description</b>
10.3	Fluor Corporation Amended and Restated 2008 Executive Performance Incentive Plan (incorporated by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K filed on May 3, 2013).
10.4	Form of Stock Option Agreement under the Fluor Corporation Amended and Restated 2008 Executive Performance Incentive Plan (incorporated by reference to Exhibit 10.28 to the registrant's Quarterly Report on Form 10-Q filed on May 10, 2010).
10.5	Form of Option Agreement (2015 grants) under the Fluor Corporation Amended and Restated 2008 Executive Performance Incentive Plan (incorporated by reference to Exhibit 10.26 to the registrant's Quarterly Report on Form 10-Q filed on April 30, 2015).
10.6	Form of Option Agreement (2017 grants) under the Fluor Corporation Amended and Restated 2008 Executive Performance Incentive Plan.*
10.7	Form of Value Driver Incentive Award Agreement (for the senior team) under the Fluor Corporation Amended and Restated 2008 Executive Performance Incentive Plan (incorporated by reference to Exhibit 10.24 to the registrant's Quarterly Report on Form 10-Q filed on April 30, 2015).
10.8	Form of Value Driver Incentive Award Agreement (for the senior team, with a post-vesting holding period) under the Fluor Corporation Amended and Restated 2008 Executive Performance Incentive Plan (incorporated by reference to Exhibit 10.7 to the registrant's Quarterly Report on Form 10-Q filed on May 5, 2016).
10.9	Form of Value Driver Incentive Award Agreement (2017 grants) under the Fluor Corporation Amended and Restated 2008 Executive Performance Incentive Plan.*
10.10	Form of Value Driver Incentive Award Agreement (for non-senior executives) under the Fluor Corporation Amended and Restated 2008 Executive Performance Incentive Plan (incorporated by reference to Exhibit 10.25 to the registrant's Quarterly Report on Form 10-Q filed on April 30, 2015).
10.11	Form of Value Driver Incentive Award Agreement (cash-based, for non-senior executives) under the Fluor Corporation Amended and Restated 2008 Executive Performance Incentive Plan (incorporated by reference to Exhibit 10.9 to the registrant's Quarterly Report on Form 10-Q filed on May 5, 2016).
10.12	Form of Restricted Stock Unit Agreement under the Fluor Corporation Amended and Restated 2008 Executive Performance Incentive Plan (incorporated by reference to Exhibit 10.27 to the registrant's Quarterly Report on Form 10-Q filed on April 30, 2015).
10.13	Form of Restricted Stock Unit Agreement (for the senior team, with a post-vesting holding period) under the Fluor Corporation Amended and Restated 2008 Executive Performance Incentive Plan (incorporated by reference to Exhibit 10.10 to the registrant's Quarterly Report on Form 10-Q filed on May 5, 2016).
10.14	Form of Restricted Stock Unit Agreement (2017 grants) under the Fluor Corporation Amended and Restated 2008 Executive Performance Incentive Plan.*
10.15	Fluor Executive Deferred Compensation Plan, as amended and restated effective April 21, 2003 (incorporated by reference to Exhibit 10.5 to the registrant's Annual Report on Form 10-K filed on February 29, 2008).
10.16	Fluor 409A Executive Deferred Compensation Program, as amended and restated effective January 1, 2014 (incorporated by reference to Exhibit 10.13 to the registrant's Annual Report on Form 10-K filed on February 18, 2014).



## Edgar Filing: FLUOR CORP - Form 10-K

### Table of Contents

<b>Exhibit</b>	<b>Description</b>
10.17	Executive Severance Plan (incorporated by reference to Exhibit 10.7 to the registrant's Annual Report on Form 10-K filed on February 22, 2012).
10.18	Summary of Fluor Corporation Non-Management Director Compensation (incorporated by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K filed on February 7, 2017).
10.19	Fluor Corporation 2014 Restricted Stock Plan for Non-Employee Directors (incorporated by reference to Exhibit 10.1 to the registrant's Registration Statement on Form S-8 filed on May 1, 2014).
10.20	Form of Restricted Stock Unit Agreement under the Fluor Corporation 2014 Restricted Stock Plan for Non-Employee Directors (incorporated by reference to Exhibit 10.19 to the registrant's Quarterly Report on Form 10-Q filed on August 4, 2016).
10.21	Fluor Corporation Deferred Directors' Fees Program, as amended and restated effective January 1, 2002 (incorporated by reference to Exhibit 10.9 to the registrant's Annual Report on Form 10-K filed on March 31, 2003).
10.22	Fluor Corporation 409A Director Deferred Compensation Program, as amended and restated effective as of November 2, 2016.*
10.23	Directors' Life Insurance Summary (incorporated by reference to Exhibit 10.12 to the registrant's Registration Statement on Form 10/A (Amendment No. 1) filed on November 22, 2000).
10.24	Form of Indemnification Agreement entered into between the registrant and each of its directors and executive officers (incorporated by reference to Exhibit 10.21 to the registrant's Annual Report on Form 10-K filed on February 25, 2009).
10.25	Form of Change in Control Agreement entered into between the registrant and each of its executive officers (incorporated by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K filed on June 29, 2010).
10.26	\$1,800,000,000 Amended and Restated Revolving Loan and Letter of Credit Facility Agreement dated as of February 25, 2016, among Fluor Corporation, Fluor B.V., the Lenders thereunder, BNP Paribas, as Administrative Agent and an Issuing Lender, Bank of America, N.A., as Syndication Agent, and Citibank, N.A. and The Bank of Tokyo Mitsubishi UFJ, Ltd., as Co-Documentation Agents (incorporated by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K filed on March 2, 2016).
10.27	\$1,700,000,000 Amended and Restated Revolving Loan and Letter of Credit Facility Agreement dated as of February 25, 2016, among Fluor Corporation, Fluor B.V., the Lenders thereunder, BNP Paribas, as Administrative Agent and an Issuing Lender, Bank of America, N.A., as Syndication Agent, and Citibank, N.A. and The Bank of Tokyo Mitsubishi UFJ, Ltd., as Co-Documentation Agents (incorporated by reference to Exhibit 10.2 to the registrant's Current Report on Form 8-Q filed on March 2, 2016).
21.1	Subsidiaries of the registrant.*
23.1	Consent of Independent Registered Public Accounting Firm.*
31.1	Certification of Chief Executive Officer of Fluor Corporation.*
31.2	Certification of Chief Financial Officer of Fluor Corporation.*
32.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350.*

## Edgar Filing: FLUOR CORP - Form 10-K

### Table of Contents

<b>Exhibit</b>	<b>Description</b>
32.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350.*
101.INS	XBRL Instance Document.*
101.SCH	XBRL Taxonomy Extension Schema Document.*
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.*
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.*
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.*
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.*

---

\*

New exhibit filed with this report.

Attached as Exhibit 101 to this report are the following documents formatted in XBRL (Extensible Business Reporting Language): (i) the Consolidated Statement of Earnings for the years ended December 31, 2016, 2015 and 2014, (ii) the Consolidated Balance Sheet at December 31, 2016 and December 31, 2015, (iii) the Consolidated Statement of Cash Flows for the years ended December 31, 2016, 2015 and 2014 and (iv) the Consolidated Statement of Equity for the years ended December 31, 2016, 2015 and 2014.



---

Peter J. Fluor

61

---

Table of Contents

<b>Signature</b>	<b>Title</b>	<b>Date</b>
<u>/s/ JAMES T. HACKETT</u> James T. Hackett	Director	February 17, 2017
<u>/s/ SAMUEL J. LOCKLEAR</u> Samuel J. Locklear	Director	February 17, 2017
<u>/s/ DEBORAH D. MCWHINNEY</u> Deborah D. McWhinney	Director	February 17, 2017
<u>/s/ ARMANDO J. OLIVERA</u> Armando J. Olivera	Director	February 17, 2017
<u>/s/ JOSEPH W. PRUEHER</u> Joseph W. Prueher	Director	February 17, 2017
<u>/s/ MATTHEW K. ROSE</u> Matthew K. Rose	Director	February 17, 2017
<u>/s/ NADER H. SULTAN</u> Nader H. Sultan	Director	February 17, 2017
<u>/s/ LYNN C. SWANN</u> Lynn C. Swann	Director	February 17, 2017

Table of Contents

**FLUOR CORPORATION**  
**INDEX TO CONSOLIDATED FINANCIAL STATEMENTS**

<b>TABLE OF CONTENTS</b>	<b>PAGE</b>
<u>Report of Independent Registered Public Accounting Firm</u>	<u>F-2</u>
<u>Consolidated Statement of Earnings</u>	<u>F-3</u>
<u>Consolidated Statement of Comprehensive Income</u>	<u>F-4</u>
<u>Consolidated Balance Sheet</u>	<u>F-5</u>
<u>Consolidated Statement of Cash Flows</u>	<u>F-6</u>
<u>Consolidated Statement of Changes in Equity</u>	<u>F-7</u>
<u>Notes to Consolidated Financial Statements</u>	<u>F-8</u>

F-1

---

Table of Contents

**Report of Independent Registered Public Accounting Firm**

**The Board of Directors and Shareholders of Fluor Corporation**

We have audited the accompanying consolidated balance sheets of Fluor Corporation as of December 31, 2016 and 2015, and the related consolidated statements of earnings, comprehensive income, cash flows and changes in equity for each of the three years in the period ended December 31, 2016. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with 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 the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Fluor Corporation at December 31, 2016 and 2015, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2016, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Fluor Corporation's internal control over financial reporting as of December 31, 2016, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 17, 2017 expressed an unqualified opinion thereon.

/s/Ernst & Young LLP

Dallas, Texas  
February 17, 2017

Table of Contents

**FLUOR CORPORATION**  
**CONSOLIDATED STATEMENT OF EARNINGS**

(in thousands, except per share amounts)	Year Ended December 31,		
	2016	2015	2014
<b>TOTAL REVENUE</b>	\$ 19,036,525	\$ 18,114,048	\$ 21,531,577
<b>TOTAL COST OF REVENUE</b>	18,246,209	17,019,352	20,132,544
<b>OTHER (INCOME) AND EXPENSES</b>			
Gain related to a partial sale of a subsidiary		(68,162)	
Pension settlement charge		239,896	
Corporate general and administrative expense	191,073	168,329	182,711
Interest expense	69,689	44,770	29,681
Interest income	(17,046)	(16,689)	(18,268)
Total cost and expenses	18,489,925	17,387,496	20,326,668
<b>EARNINGS FROM CONTINUING OPERATIONS BEFORE TAXES</b>	546,600	726,552	1,204,909
<b>INCOME TAX EXPENSE</b>	219,151	245,888	352,815
<b>EARNINGS FROM CONTINUING OPERATIONS</b>	327,449	480,664	852,094
<b>LOSS FROM DISCONTINUED OPERATIONS, NET OF TAX</b>		(5,658)	(204,551)
<b>NET EARNINGS</b>	327,449	475,006	647,543
<b>LESS: NET EARNINGS ATTRIBUTABLE TO NONCONTROLLING INTERESTS</b>	46,048	62,494	136,634
<b>NET EARNINGS ATTRIBUTABLE TO FLUOR CORPORATION</b>	\$ 281,401	\$ 412,512	\$ 510,909
<b>AMOUNTS ATTRIBUTABLE TO FLUOR CORPORATION</b>			
Earnings from continuing operations	\$ 281,401	\$ 418,170	\$ 715,460
Loss from discontinued operations, net of tax		(5,658)	(204,551)
Net earnings	\$ 281,401	\$ 412,512	\$ 510,909
<b>BASIC EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO FLUOR CORPORATION</b>			
Earnings from continuing operations	\$ 2.02	\$ 2.89	\$ 4.54
Loss from discontinued operations, net of tax		(0.04)	(1.30)
Net earnings	\$ 2.02	\$ 2.85	\$ 3.24
<b>DILUTED EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO FLUOR CORPORATION</b>			
Earnings from continuing operations	\$ 2.00	\$ 2.85	\$ 4.48
Loss from discontinued operations, net of tax		(0.04)	(1.28)



Edgar Filing: FLUOR CORP - Form 10-K

Net earnings	\$	2.00	\$	2.81	\$	3.20
--------------	----	------	----	------	----	------

**SHARES USED TO CALCULATE EARNINGS PER SHARE**

Basic		139,171		144,805		157,487
Diluted		140,912		146,722		159,616

<b>DIVIDENDS DECLARED PER SHARE</b>	\$	0.84	\$	0.84	\$	0.84
-------------------------------------	----	------	----	------	----	------

See Notes to Consolidated Financial Statements.

Table of Contents

**FLUOR CORPORATION**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

(in thousands)	Year Ended December 31,		
	2016	2015	2014
<b>NET EARNINGS</b>	\$ 327,449	\$ 475,006	\$ 647,543
<b>OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX:</b>			
Foreign currency translation adjustment	(64,380)	(104,595)	(125,809)
Ownership share of equity method investees' other comprehensive income (loss)	6,036	(7,513)	1,838
Defined benefit pension and postretirement plan adjustments	(5,137)	162,615	(66,848)
Unrealized loss on derivative contracts	(662)	(126)	(2,064)
Unrealized gain (loss) on available-for-sale securities	207	(211)	(437)
<b>TOTAL OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX</b>	(63,936)	50,170	(193,320)
<b>COMPREHENSIVE INCOME</b>	263,513	525,176	454,223
<b>LESS: COMPREHENSIVE INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS</b>	46,006	61,227	129,325
<b>COMPREHENSIVE INCOME ATTRIBUTABLE TO FLUOR CORPORATION</b>	\$ 217,507	\$ 463,949	\$ 324,898

See Notes to Consolidated Financial Statements.

Table of Contents

**FLUOR CORPORATION**  
**CONSOLIDATED BALANCE SHEET**

(in thousands, except share and per share amounts)	December 31, 2016	December 31, 2015
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents (\$439,942 and \$289,991 related to variable interest entities ("VIEs"))	\$ 1,850,436	\$ 1,949,886
Marketable securities, current (\$48,155 and \$70,176 related to VIEs)	111,037	197,092
Accounts and notes receivable, net (\$232,242 and \$186,833 related to VIEs)	1,700,224	1,203,024
Contract work in progress (\$124,677 and \$178,826 related to VIEs)	1,537,289	1,376,471
Other current assets (\$24,017 and \$27,362 related to VIEs)	411,284	378,927
Total current assets	5,610,270	5,105,400
<b>PROPERTY, PLANT AND EQUIPMENT</b>		
Land	77,985	72,244
Buildings and improvements	490,047	434,213
Machinery and equipment	1,364,231	1,252,615
Furniture and fixtures	157,104	135,701
Construction in progress	50,047	43,644
	2,139,414	1,938,417
Less accumulated depreciation	1,122,191	1,046,077
Net property, plant and equipment (\$53,728 and \$70,247 related to VIEs)	1,017,223	892,340
<b>OTHER ASSETS</b>		
Marketable securities, noncurrent	143,553	220,634
Goodwill	532,239	111,646
Investments	740,385	337,930
Deferred taxes	454,109	394,832
Deferred compensation trusts	348,487	360,725
Other (\$24,248 and \$24,141 related to VIEs)	370,151	201,899
Total other assets	2,588,924	1,627,666
<b>TOTAL ASSETS</b>	<b>\$ 9,216,417</b>	<b>\$ 7,625,406</b>
<b>LIABILITIES AND EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Trade accounts payable (\$221,601 and \$178,139 related to VIEs)	\$ 1,590,506	\$ 1,266,509
Revolving credit facility and other borrowings	82,243	
Advance billings on contracts (\$263,393 and \$188,484 related to VIEs)	763,774	754,037
Accrued salaries, wages and benefits (\$35,573 and \$47,526 related to VIEs)	734,649	669,592
Other accrued liabilities (\$32,015 and \$25,384 related to VIEs)	644,857	245,214
Total current liabilities	3,816,029	2,935,352
<b>LONG-TERM DEBT DUE AFTER ONE YEAR</b>	<b>1,517,949</b>	<b>986,564</b>
<b>NONCURRENT LIABILITIES</b>	<b>639,608</b>	<b>589,991</b>
<b>CONTINGENCIES AND COMMITMENTS</b>		
<b>EQUITY</b>		

Edgar Filing: FLUOR CORP - Form 10-K

<b>Shareholders' equity</b>			
Capital stock			
Preferred	authorized 20,000,000 shares (\$0.01 par value), none issued		
Common	authorized 375,000,000 shares (\$0.01 par value); issued and outstanding 139,258,483 and 139,018,309 shares in 2016 and 2015, respectively		
		1,393	1,390
Additional paid-in capital		38,317	
Accumulated other comprehensive loss		(496,669)	(432,775)
Retained earnings		3,582,150	3,428,732
Total shareholders' equity		3,125,191	2,997,347
Noncontrolling interests		117,640	116,152
Total equity		3,242,831	3,113,499
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>\$ 9,216,417</b>	<b>\$ 7,625,406</b>

See Notes to Consolidated Financial Statements.

Table of Contents

**FLUOR CORPORATION**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**

(in thousands)	Year Ended December 31,		
	2016	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net earnings	\$ 327,449	\$ 475,006	\$ 647,543
Adjustments to reconcile net earnings to cash provided (utilized) by operating activities:			
Loss from discontinued operations, net of taxes		5,658	204,551
Pension settlement charge		239,896	
Depreciation of fixed assets	211,095	188,700	191,701
Amortization of intangibles	14,818	1,038	893
Loss on sale of equity method investments			2,158
(Earnings) loss from equity method investments, net of distributions	12,180	(1,597)	1,295
Gain related to a partial sale of a subsidiary		(68,162)	
Gain on sale of property, plant and equipment	(21,604)	(31,272)	(33,878)
Amortization of stock-based awards	40,086	61,053	48,232
Deferred compensation trust	(22,332)	44,298	(16,614)
Deferred compensation obligation	29,323	(6,854)	14,755
Statute expirations and tax settlements	(13,280)	(7,827)	(19,331)
Deferred taxes	(7,912)	4,675	62,084
Excess tax benefit from stock-based plans			(4,089)
Net retirement plan accrual (contributions)	(1,756)	(37,805)	(40,093)
Changes in operating assets and liabilities	135,393	303,896	(408,861)
Cash outflows from discontinued operations		(316,195)	(8,058)
Other items	2,459	(5,376)	286
Cash provided by operating activities	705,919	849,132	642,574
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of marketable securities	(359,986)	(386,021)	(410,508)
Proceeds from the sales and maturities of marketable securities	522,094	411,380	419,398
Capital expenditures	(235,904)	(240,220)	(324,704)
Proceeds from disposal of property, plant and equipment	81,162	94,323	105,872
Proceeds from sale of buildings		82,082	
Proceeds from a partial sale of a subsidiary		45,566	
Proceeds from sales of equity method investments			44,000
Investments in partnerships and joint ventures	(518,220)	(91,078)	(38,687)
Acquisitions, net of cash acquired	(240,740)		
Other items	10,243	17,461	5,514
Cash utilized by investing activities	(741,351)	(66,507)	(199,115)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repurchase of common stock	(9,718)	(509,658)	(906,083)
Dividends paid	(117,995)	(125,204)	(126,218)
Proceeds from issuance of 1.75% Senior Notes	552,958		
Proceeds from issuance of 3.5% Senior Notes			494,595
Debt and credit facility issuance costs	(3,513)		(7,685)
Repayment of Stork Notes, convertible debt and other borrowings	(333,654)	(28,425)	(74)

Edgar Filing: FLUOR CORP - Form 10-K

Borrowings under revolving lines of credit	882,142		
Repayment of borrowings under revolving lines of credit	(917,027)		
Distributions paid to noncontrolling interests	(57,904)	(58,986)	(138,041)
Capital contributions by noncontrolling interests	9,072	5,254	3,336
Taxes paid on vested restricted stock	(7,007)	(8,400)	(11,475)
Stock options exercised	3,658	1,780	24,189
Excess tax benefit from stock-based plans			4,089
Other items	(11,362)	(4,591)	(3,049)
Cash utilized by financing activities	(10,350)	(728,230)	(666,416)
Effect of exchange rate changes on cash	(53,668)	(97,634)	(67,500)
Decrease in cash and cash equivalents	(99,450)	(43,239)	(290,457)
Cash and cash equivalents at beginning of year	1,949,886	1,993,125	2,283,582
Cash and cash equivalents at end of year	\$ 1,850,436	\$ 1,949,886	\$ 1,993,125

See Notes to Consolidated Financial Statements.

Table of Contents

## FLUOR CORPORATION

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in thousands, except per share amounts)	Common Stock		Accumulated Other Comprehensive Income		Retained Earnings	Total Shareholders' Noncontrolling Interests		Total Equity
	Shares	Amount	Paid-In Capital	(Loss)		Equity	Equity	
<i>BALANCE AS OF</i> <i>DECEMBER 31, 2013</i>	161,288	\$ 1,613	\$ 12,911	\$ (298,201)	\$ 4,040,664	\$ 3,756,987	\$ 123,836	\$ 3,880,823
Net earnings					510,909	510,909	136,634	647,543
Other comprehensive loss				(186,011)		(186,011)	(7,309)	(193,320)
Dividends (\$0.84 per share)					(132,608)	(132,608)		(132,608)
Distributions to noncontrolling interests							(138,041)	(138,041)
Capital contributions by noncontrolling interests							3,336	3,336
Other noncontrolling interest transactions			751			751	(5,497)	(4,746)
Stock-based plan activity	675	6	66,919			66,925		66,925
Repurchase of common stock	(13,331)	(133)	(80,581)		(825,369)	(906,083)		(906,083)
Debt conversions	2				1	1		1
<i>BALANCE AS OF</i> <i>DECEMBER 31, 2014</i>	148,634	\$ 1,486	\$	\$ (484,212)	\$ 3,593,597	\$ 3,110,871	\$ 112,959	\$ 3,223,830
Net earnings					412,512	412,512	62,494	475,006
Other comprehensive income (loss)				51,437		51,437	(1,267)	50,170
Dividends (\$0.84 per share)					(122,609)	(122,609)		(122,609)
Distributions to noncontrolling interests							(58,986)	(58,986)
Capital contributions by noncontrolling interests							5,254	5,254
Other noncontrolling interest transactions			334			334	(4,302)	(3,968)
Stock-based plan activity	321	5	54,656			54,661		54,661
Repurchase of common stock	(10,105)	(101)	(54,789)		(454,768)	(509,658)		(509,658)
Debt conversions	168		(201)			(201)		(201)
<i>BALANCE AS OF</i> <i>DECEMBER 31, 2015</i>	139,018	\$ 1,390	\$	\$ (432,775)	\$ 3,428,732	\$ 2,997,347	\$ 116,152	\$ 3,113,499
Net earnings					281,401	281,401	46,048	327,449
Other comprehensive loss				(63,894)		(63,894)	(42)	(63,936)
Dividends (\$0.84 per share)			270		(118,265)	(117,995)		(117,995)
Distributions to noncontrolling interests							(57,904)	(57,904)
Capital contributions by noncontrolling interests							9,072	9,072
Other noncontrolling interest transactions			852			852	4,314	5,166
Stock-based plan activity	443	5	37,193			37,198		37,198
Repurchase of common stock	(203)	(2)	2		(9,718)	(9,718)		(9,718)
<i>BALANCE AS OF</i> <i>DECEMBER 31, 2016</i>	139,258	\$ 1,393	\$ 38,317	\$ (496,669)	\$ 3,582,150	\$ 3,125,191	\$ 117,640	\$ 3,242,831

See Notes to Consolidated Financial Statements.





Table of Contents

**FLUOR CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**1. Major Accounting Policies**

*Principles of Consolidation*

The financial statements include the accounts of Fluor Corporation and its subsidiaries ("the company"). The company frequently forms joint ventures or partnerships with unrelated third parties for the execution of single contracts or projects. The company assesses its joint ventures and partnerships at inception to determine if any meet the qualifications of a variable interest entity ("VIE") in accordance with Accounting Standards Codification ("ASC") 810, "Consolidation." If a joint venture or partnership is a VIE and the company is the primary beneficiary, the joint venture or partnership is fully consolidated (see Note 16 below). For partnerships and joint ventures in the construction industry, unless full consolidation is required, the company generally recognizes its proportionate share of revenue, cost and profit in its Consolidated Statement of Earnings and uses the one-line equity method of accounting in the Consolidated Balance Sheet, which is a common application of ASC 810-10-45-14 in the construction industry. The cost and equity methods of accounting are also used, depending on the company's respective ownership interest and amount of influence on the entity, as well as other factors. At times, the company also executes projects through collaborative arrangements for which the company recognizes its relative share of revenue and cost.

All significant intercompany transactions of consolidated subsidiaries are eliminated. Certain amounts in 2015 and 2014 have been reclassified to conform to the 2016 presentation due to the implementation of new accounting pronouncements discussed below. Segment operating information for 2015 and 2014 has been recast to reflect changes in the composition of the company's reportable segments as discussed in Note 17. Management has evaluated all material events occurring subsequent to the date of the financial statements up to the filing date of this annual report on Form 10-K.

The Consolidated Financial Statements as of and for the year ended December 31, 2016 include the financial statements of Stork Holding B.V. ("Stork") since March 1, 2016, the date of acquisition. See Note 18 for a discussion of the acquisition.

*Use of Estimates*

The preparation of financial statements in accordance with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect reported amounts. These estimates are based on information available through the date of the issuance of the financial statements. Therefore, actual results could differ from those estimates.

*Cash and Cash Equivalents*

Cash and cash equivalents include securities with maturities of three months or less at the date of purchase. Securities with maturities beyond three months are classified as marketable securities within current and noncurrent assets.

*Marketable Securities*

Marketable securities consist of time deposits placed with investment grade banks with original maturities greater than three months, which by their nature are typically held to maturity, and are classified as such because the company has the intent and ability to hold them to maturity. Held-to-maturity securities are carried at amortized cost. The company also has investments in debt securities which are classified as available-for-sale because the investments may be sold prior to their maturity date. Available-for-sale securities are carried at fair value. The cost of securities sold is determined by using the specific identification method. Marketable securities are assessed for other-than-temporary impairment.

Table of Contents

**FLUOR CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

*Engineering and Construction Contracts*

The company recognizes engineering and construction contract revenue using the percentage-of-completion method, based primarily on contract cost incurred to date compared to total estimated contract cost. Cost of revenue includes an allocation of depreciation and amortization. Customer-furnished materials, labor and equipment and, in certain cases, subcontractor materials, labor and equipment, are included in revenue and cost of revenue when management believes that the company is responsible for the ultimate acceptability of the project. Contracts are generally segmented between types of services, such as engineering and construction, and accordingly, gross margin related to each activity is recognized as those separate services are rendered. Changes to total estimated contract cost or losses, if any, are recognized in the period in which they are determined. Pre-contract costs are expensed as incurred. Revenue recognized in excess of amounts billed is classified as a current asset under contract work in progress. Advances that are payments on account of contract work in progress of \$382 million and \$343 million as of December 31, 2016 and 2015, respectively, have been deducted from contract work in progress. Amounts billed to clients in excess of revenue recognized to date are classified as a current liability under advance billings on contracts. The company anticipates that substantially all incurred cost associated with contract work in progress as of December 31, 2016 will be billed and collected in 2017.

The company recognizes revenue, but not profit, for certain claims (including change orders in dispute and unapproved change orders in regard to both scope and price) when it is determined that recovery of incurred cost is probable and the amounts can be reliably estimated. Under claims accounting (ASC 605-35-25), these requirements are satisfied when (a) the contract or other evidence provides a legal basis for the claim, (b) additional costs were caused by circumstances that were unforeseen at the contract date and not the result of deficiencies in the company's performance, (c) claim-related costs are identifiable and considered reasonable in view of the work performed, and (d) evidence supporting the claim is objective and verifiable. Cost, but not profit, associated with unapproved change orders is accounted for in revenue when it is probable that the cost will be recovered through a change in the contract price. In circumstances where recovery is considered probable but the revenue cannot be reliably estimated, cost attributable to change orders is deferred pending determination of the impact on contract price. If the requirements for recognizing revenue for claims or unapproved change orders are met, revenue is recorded only to the extent that costs associated with the claims or unapproved change orders have been incurred. Back charges to suppliers or subcontractors are recognized as a reduction of cost when it is determined that recovery of such cost is probable and the amounts can be reliably estimated. Disputed back charges are recognized when the same requirements described above for claims accounting have been satisfied. The company generally provides limited warranties for work performed under its engineering and construction contracts. The warranty periods typically extend for a limited duration following substantial completion of the company's work on a project. Historically, warranty claims have not resulted in material costs incurred, and any estimated costs for warranties are included in the individual project cost estimates for purposes of accounting for long-term contracts.

*Service Contracts*

For service contracts (including maintenance contracts) that do not satisfy the criteria for revenue recognition using the percentage-of-completion method, revenue is recognized when services are performed. Revenue recognized on service contracts that have not been billed to clients is classified as a current asset under contract work in progress. Amounts billed to clients in excess of revenue recognized on service contracts to date are classified as a current liability under advance billings on contracts.

*Research and Development*

The company maintains a controlling interest in NuScale Power, LLC ("NuScale"), the operations of which are primarily research and development activities. In May 2014, NuScale entered into a cooperative

Table of Contents**FLUOR CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

agreement establishing the terms and conditions of a funding award totaling \$217 million under the DOE's Small Modular Reactor Licensing Technical Support Program. This cost-sharing award requires NuScale to use the DOE funds to cover first-of-a-kind engineering costs associated with small modular reactor design development and certification. The DOE is to provide cost reimbursement for up to 43 percent of qualified expenditures incurred during the period from June 1, 2014 to May 31, 2019. Costs associated with NuScale's research and development activities, net of qualifying reimbursements under the cost-sharing award, are expensed as incurred and reported as a reduction of "Total cost of revenue" in the Consolidated Statement of Earnings. In December 2016, NuScale submitted its design certification application to the U.S. Nuclear Regulatory Commission for approval of NuScale's small modular nuclear reactor commercial power plant design. Aside from the operations of NuScale, the company generally does not engage in significant research and development activities for new products and services.

*Property, Plant and Equipment*

Property, plant and equipment are recorded at cost. Leasehold improvements are amortized over the shorter of their economic lives or the lease terms. Depreciation is calculated using the straight-line method over the following ranges of estimated useful service lives, in years:

(cost in thousands)	December 31,		Estimated Useful Service Lives	
	2016	2015		
Buildings	\$ 322,495	\$ 276,161	20	40
Building and leasehold improvements	167,552	158,052	6	20
Machinery and equipment	1,364,231	1,252,615	2	10
Furniture and fixtures	157,104	135,701	2	10

*Goodwill and Intangible Assets*

Goodwill is not amortized but is subject to annual impairment tests. Interim testing for impairment is performed if indicators of potential impairment exist. For purposes of impairment testing, goodwill is allocated to the applicable reporting units based on the current reporting structure. When testing goodwill for impairment quantitatively, the company first compares the fair value of each reporting unit with its carrying amount. If the carrying amount of a reporting unit exceeds its fair value, a second step is performed to measure the amount of potential impairment. In the second step, the company compares the implied fair value of reporting unit goodwill with the carrying amount of the reporting unit's goodwill. If the carrying amount of reporting unit goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized. During 2016, the company completed its annual goodwill impairment test and quantitatively determined that none of the goodwill was impaired. The company recorded \$417 million of goodwill during 2016 in conjunction with the Stork acquisition (see Note 18). Goodwill for each of the company's segments is presented in Note 17.

Table of Contents**FLUOR CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The following table provides a summary of the net carrying value of acquired intangible assets as of December 31, 2016 and 2015, including the weighted average life of each major intangible asset class, in years:

(in thousands)	December 31,		Weighted Average
	2016	2015	Life
Customer relationships (finite-lived)	\$ 111,616	\$	8
Trade names (finite-lived)	8,034		13
Trade names (indefinite-lived)	47,425		
In-process research and development (indefinite-lived)	19,038	19,038	
Other (finite-lived)	4,184	5,252	10
 Total intangible assets	 \$ 190,297	 \$ 24,290	

Intangible assets with finite lives are amortized on a straight-line basis over the useful lives of those assets. The aggregate amortization expense for intangible assets with finite lives is expected to be \$18 million, \$17 million, \$17 million, \$17 million and \$16 million during 2017, 2018, 2019, 2020 and 2021, respectively. Intangible assets with indefinite lives are not amortized but are subject to annual impairment tests. Interim testing for impairment is also performed if indicators of potential impairment exist. An intangible asset with an indefinite life is impaired if its carrying value exceeds its fair value. As of December 31, 2016, none of the company's intangible assets with indefinite lives were impaired. In-process research and development associated with the company's investment in NuScale is considered indefinite lived until the related technology is available for commercial use.

*Income Taxes*

Deferred tax assets and liabilities are recognized for the expected future tax consequences of events that have been recognized in the company's financial statements or tax returns. The company evaluates the realizability of its deferred tax assets and maintains a valuation allowance, if necessary, to reduce certain deferred tax assets to amounts that are more likely than not to be realized. The factors used to assess the likelihood of realization are the company's forecast of future taxable income and available tax planning strategies that could be implemented to realize the net deferred tax assets. Failure to achieve forecasted taxable income in the applicable taxing jurisdictions could affect the ultimate realization of deferred tax assets and could result in an increase in the company's effective tax rate on future earnings.

Income tax positions must meet a more-likely-than-not recognition threshold to be recognized. Income tax positions that previously failed to meet the more-likely-than-not threshold are recognized in the first subsequent financial reporting period in which that threshold is met. Previously recognized tax positions that no longer meet the more-likely-than-not threshold are derecognized in the first subsequent financial reporting period in which that threshold is no longer met. The company recognizes potential interest and penalties related to unrecognized tax benefits within its global operations in income tax expense.

Judgment is required in determining the consolidated provision for income taxes as the company considers its worldwide taxable earnings and the impact of the continuing audit process conducted by various tax authorities. The final outcome of these audits by foreign jurisdictions, the Internal Revenue Service and various state governments could differ materially from that which is reflected in the Consolidated Financial Statements.

Table of Contents

**FLUOR CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

*Derivatives and Hedging*

The company limits exposure to foreign currency fluctuations in most of its engineering and construction contracts through provisions that require client payments in currencies corresponding to the currencies in which cost is incurred. Certain financial exposure, which includes currency and commodity price risk associated with engineering and construction contracts, currency risk associated with monetary assets and liabilities denominated in nonfunctional currencies and risk associated with interest rate volatility, may subject the company to earnings volatility. In cases where financial exposure is identified, the company generally implements a hedging strategy utilizing derivative instruments as hedging instruments to mitigate the risk. These hedging instruments are designated as either fair value or cash flow hedges in accordance with ASC 815, "Derivatives and Hedging." The company formally documents its hedge relationships at inception, including identification of the hedging instruments and the hedged items, as well as its risk management objectives and strategies for undertaking the hedge transaction. The company also formally assesses, both at inception and at least quarterly thereafter, whether the hedging instruments are highly effective in offsetting changes in the fair value of the hedged items. The fair values of all hedging instruments are recognized as assets or liabilities at the balance sheet date. For fair value hedges, the effective portion of the change in the fair value of the hedging instrument is offset against the change in the fair value of the underlying asset or liability through earnings. For cash flow hedges, the effective portion of the hedging instrument's gain or loss due to changes in fair value is recorded as a component of accumulated other comprehensive income (loss) ("AOCI") and is reclassified into earnings when the hedged item settles. Any ineffective portion of a hedging instrument's change in fair value is immediately recognized in earnings. The company does not enter into derivative instruments for speculative purposes. Under ASC 815, in certain limited circumstances, foreign currency payment provisions could be deemed embedded derivatives. If an embedded foreign currency derivative is identified, the derivative is bifurcated from the host contract and the change in fair value is recognized through earnings.

The company maintains master netting arrangements with certain counterparties to facilitate the settlement of derivative instruments; however, the company reports the fair value of derivative instruments on a gross basis.

*Concentrations of Credit Risk*

Accounts receivable and all contract work in progress are from clients in various industries and locations throughout the world. Most contracts require payments as the projects progress or, in certain cases, advance payments. The company generally does not require collateral, but in most cases can place liens against the property, plant or equipment constructed or terminate the contract, if a material default occurs. The company evaluates the counterparty credit risk of third parties as part of its project risk review process and in determining the appropriate level of reserves. The company maintains adequate reserves for potential credit losses and generally such losses have been minimal and within management's estimates.

Cash and marketable securities are deposited with major banks throughout the world. Such deposits are placed with high quality institutions and the amounts invested in any single institution are limited to the extent possible in order to minimize concentration of counterparty credit risk.

The company's counterparties for derivative contracts are large financial institutions selected based on profitability, strength of balance sheet, credit ratings and capacity for timely payment of financial commitments. There are no significant concentrations of credit risk with any individual counterparty related to our derivative contracts.

The company monitors the credit quality of its counterparties and has not incurred any significant credit risk losses related to its deposits or derivative contracts.

Table of Contents**FLUOR CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)***Stock-Based Plans*

The company applies the provisions of ASC 718, "Compensation – Stock Compensation," in its accounting and reporting for stock-based compensation. ASC 718 requires all stock-based payments to employees, including grants of employee stock options, to be recognized in the income statement based on their fair values. All unvested options outstanding under the company's option plans have grant prices equal to the market price of the company's stock on the dates of grant. Compensation cost for restricted stock and restricted stock units is determined based on the fair market value of the company's stock at the date of grant. Compensation cost for stock appreciation rights is determined based on the change in the fair market value of the company's stock during the period. Stock-based compensation expense is generally recognized over the required service period, or over a shorter period when employee retirement eligibility is a factor. Certain awards that may be settled in cash or company stock are classified as liabilities and remeasured at fair value at the end of each reporting period until the awards are settled.

*Other Comprehensive Income (Loss)*

ASC 220, "Comprehensive Income," establishes standards for reporting and displaying comprehensive income and its components in the consolidated financial statements. The company reports the cumulative foreign currency translation adjustments, unrealized gains and losses on available-for-sale securities and derivative contracts, ownership share of equity method investees' other comprehensive income (loss), and adjustments related to defined benefit pension and postretirement plans, as components of accumulated other comprehensive income (loss).

The tax effects of the components of other comprehensive income (loss) are as follows:

(in thousands)	Year Ended December 31,								
	2016			2015			2014		
	Before-Tax Amount	Tax (Expense) Benefit	Net-of-Tax Amount	Before-Tax Amount	Tax (Expense) Benefit	Net-of-Tax Amount	Before-Tax Amount	Tax (Expense) Benefit	Net-of-Tax Amount
Other comprehensive income (loss):									
Foreign currency translation adjustment	\$ (102,707)	\$ 38,327	\$ (64,380)	\$ (166,487)	\$ 61,892	\$ (104,595)	\$ (197,361)	\$ 71,552	\$ (125,809)
Ownership share of equity method investees' other comprehensive income (loss)	8,734	(2,698)	6,036	(12,226)	4,713	(7,513)	5,892	(4,054)	1,838
Defined benefit pension and postretirement plan adjustments	(5,518)	381	(5,137)	257,414	(94,799)	162,615	(106,957)	40,109	(66,848)
Unrealized loss on derivative contracts	(1,064)	402	(662)	(302)	176	(126)	(2,837)	773	(2,064)
Unrealized gain (loss) on available-for-sale securities	332	(125)	207	(337)	126	(211)	(700)	263	(437)
<b>Total other comprehensive income (loss)</b>	<b>(100,223)</b>	<b>36,287</b>	<b>(63,936)</b>	<b>78,062</b>	<b>(27,892)</b>	<b>50,170</b>	<b>(301,963)</b>	<b>108,643</b>	<b>(193,320)</b>
Less: Other comprehensive loss attributable to noncontrolling interests	(42)		(42)	(1,267)		(1,267)	(7,309)		(7,309)
<b>Other comprehensive income (loss) attributable to Fluor Corporation</b>	<b>\$ (100,181)</b>	<b>\$ 36,287</b>	<b>\$ (63,894)</b>	<b>\$ 79,329</b>	<b>\$ (27,892)</b>	<b>\$ 51,437</b>	<b>\$ (294,654)</b>	<b>\$ 108,643</b>	<b>\$ (186,011)</b>

Table of Contents

## FLUOR CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The changes in AOCI balances by component (after-tax) for the year ended December 31, 2016 are as follows:

(in thousands)	Foreign Currency Translation	Ownership Share of Equity Method Investees' Other Comprehensive Income (Loss)	Defined Benefit Pension and Postretirement Plans	Unrealized Gain (Loss) on Derivative Contracts	Unrealized Gain (Loss) on Available- for-Sale Securities	Accumulated Other Comprehensive Income (Loss), Net
<b>Attributable to Fluor Corporation:</b>						
Balance as of December 31, 2015	\$ (222,569)	\$ (37,949)	\$ (162,530)	\$ (9,255)	\$ (472)	\$ (432,775)
Other comprehensive income (loss) before reclassifications	(63,880)	6,036	(9,888)	(5,943)	312	(73,363)
Amount reclassified from AOCI			4,751	4,823	(105)	9,469
Net other comprehensive income (loss)	(63,880)	6,036	(5,137)	(1,120)	207	(63,894)
Balance as of December 31, 2016	\$ (286,449)	\$ (31,913)	\$ (167,667)	\$ (10,375)	\$ (265)	\$ (496,669)
<b>Attributable to Noncontrolling Interests:</b>						
Balance as of December 31, 2015	\$ (114)		\$	\$ (510)		\$ (624)
Other comprehensive income (loss) before reclassifications	(500)			159		(341)
Amount reclassified from AOCI				299		299
Net other comprehensive income (loss)	(500)			458		(42)
Balance as of December 31, 2016	\$ (614)		\$	\$ (52)		\$ (666)

The changes in AOCI balances by component (after-tax) for the year ended December 31, 2015 are as follows:

(in thousands)	Foreign Currency Translation	Ownership Share of Equity Method Investees' Other Comprehensive Income (Loss)	Defined Benefit Pension and Postretirement Plans	Unrealized Gain (Loss) on Derivative Contracts	Unrealized Gain (Loss) on Available- for-Sale Securities	Accumulated Other Comprehensive Income (Loss), Net
<b>Attributable to Fluor Corporation:</b>						
Balance as of December 31, 2014	\$ (119,416)	\$ (30,436)	\$ (325,145)	\$ (8,954)	\$ (261)	\$ (484,212)
Other comprehensive loss before reclassifications	(109,361)	(9,000)	(5,382)	(3,260)	(116)	(127,119)
Amount reclassified from AOCI	6,208	1,487	167,997	2,959	(95)	178,556
Net other comprehensive income (loss)	(103,153)	(7,513)	162,615	(301)	(211)	51,437

Edgar Filing: FLUOR CORP - Form 10-K

Balance as of December 31, 2015	\$	(222,569)	\$	(37,949)	\$	(162,530)	\$	(9,255)	\$	(472)	\$	(432,775)
---------------------------------	----	-----------	----	----------	----	-----------	----	---------	----	-------	----	-----------

**Attributable to Noncontrolling Interests:**

Balance as of December 31, 2014	\$	1,328	\$		\$		\$	(685)	\$		\$	643
---------------------------------	----	-------	----	--	----	--	----	-------	----	--	----	-----

Other comprehensive loss before reclassifications		(1,442)						(101)				(1,543)
---	--	---------	--	--	--	--	--	-------	--	--	--	---------

Amount reclassified from AOCI								276				276
-------------------------------	--	--	--	--	--	--	--	-----	--	--	--	-----

Net other comprehensive income (loss)		(1,442)						175				(1,267)
---------------------------------------	--	---------	--	--	--	--	--	-----	--	--	--	---------

Balance as of December 31, 2015	\$	(114)	\$		\$		\$	(510)	\$		\$	(624)
---------------------------------	----	-------	----	--	----	--	----	-------	----	--	----	-------

F-14

---



Table of Contents

## FLUOR CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The changes in AOCI balances by component (after-tax) for the year ended December 31, 2014 are as follows:

(in thousands)	Foreign Currency Translation	Ownership Share of Equity Method Investees' Other Comprehensive Income (Loss)	Defined Benefit Pension and Postretirement Plans	Unrealized Gain (Loss) on Derivative Contracts	Unrealized Gain (Loss) on Available- for-Sale Securities	Accumulated Other Comprehensive Income (Loss), Net
<b>Attributable to Fluor Corporation:</b>						
Balance as of December 31, 2013	\$ (164)	\$ (32,274)	\$ (258,297)	\$ (7,642)	\$ 176	\$ (298,201)
Other comprehensive loss before reclassifications	(119,252)	(7,958)	(74,924)	(2,151)	(349)	(204,634)
Amount reclassified from AOCI		9,796	8,076	839	(88)	18,623
Net other comprehensive income (loss)	(119,252)	1,838	(66,848)	(1,312)	(437)	(186,011)
Balance as of December 31, 2014	\$ (119,416)	\$ (30,436)	\$ (325,145)	\$ (8,954)	\$ (261)	\$ (484,212)
<b>Attributable to Noncontrolling Interests:</b>						
Balance as of December 31, 2013	\$ 7,885	\$	\$	\$ 67	\$	\$ 7,952
Other comprehensive loss before reclassifications	(6,557)			(795)		(7,352)
Amount reclassified from AOCI				43		43
Net other comprehensive loss	(6,557)			(752)		(7,309)
Balance as of December 31, 2014	\$ 1,328	\$	\$	\$ (685)	\$	\$ 643

During 2016, 2015 and 2014, functional currency exchange rates for most of the company's international operations weakened against the U.S. dollar, resulting in unrealized translation losses.

Table of Contents

## FLUOR CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The significant items reclassified out of AOCI and the corresponding location and impact on the Consolidated Statement of Earnings are as follows:

(in thousands)	Location in Consolidated Statements of Earnings	Year Ended December 31,		
		2016	2015	2014
<b>Component of AOCI:</b>				
Foreign currency translation adjustment	Gain related to a partial sale of a subsidiary	\$	\$ (9,932)	\$
Income tax benefit	Income tax expense		3,724	
Net of tax		\$	\$ (6,208)	\$
Ownership share of equity method investees' other comprehensive loss	Total cost of revenue	\$	\$ (1,487)	\$ (15,662)
Income tax benefit	Income tax expense			5,866
Net of tax		\$	\$ (1,487)	\$ (9,796)
Defined benefit pension plan adjustments	Various accounts <sup>(1)</sup>	\$ (7,602)	\$ (268,795)	\$ (12,922)
Income tax benefit	Income tax expense	2,851	100,798	4,846
Net of tax		\$ (4,751)	\$ (167,997)	\$ (8,076)
Unrealized gain (loss) on derivative contracts:				
Commodity and foreign currency contracts	Total cost of revenue	\$ (6,388)	\$ (3,490)	\$ 255
Interest rate contracts	Interest expense	(1,678)	(1,678)	(1,678)
Income tax benefit (net)	Income tax expense	2,944	1,933	541
Net of tax:		(5,122)	(3,235)	(882)
Less: Noncontrolling interests	Net earnings attributable to noncontrolling interests	(299)	(276)	(43)
Net of tax and noncontrolling interests		\$ (4,823)	\$ (2,959)	\$ (839)
Unrealized gain on available-for-sale securities	Corporate general and administrative expense	\$ 168	\$ 152	\$ 140
Income tax expense	Income tax expense	(63)	(57)	(52)
Net of tax		\$ 105	\$ 95	\$ 88

(1) Defined benefit pension plan adjustments were reclassified primarily to total cost of revenue, corporate general and administrative expense and pension settlement charge.

*Recent Accounting Pronouncements*

New accounting pronouncements implemented by the company during 2016 or requiring implementation in future periods are discussed below or in the related notes, where appropriate.

In the fourth quarter of 2016, the company adopted Accounting Standards Update ("ASU") 2014-15, "Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern." This ASU requires management to perform interim and annual assessments of an entity's ability to continue as a going concern within one year of the date the financial statements are issued and to provide certain disclosures if conditions or events raise substantial doubt about the entity's ability to continue as a going concern. The adoption of ASU 2014-15 did not have any impact on the company's financial position, results of operations or cash flows.

In the first quarter of 2016, the company adopted ASU 2015-17, "Balance Sheet Classification of Deferred Taxes" on a retrospective basis. This ASU requires entities to classify all deferred tax assets and

Table of Contents

**FLUOR CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

liabilities as noncurrent on the balance sheet instead of separating deferred taxes into current and noncurrent. As a result of the adoption of ASU 2015-17, deferred tax assets of \$173 million were reclassified from current assets to noncurrent assets on the Consolidated Balance Sheet as of December 31, 2015. The adoption of ASU 2015-17 did not have any impact on the company's results of operations or cash flows.

In the first quarter of 2016, the company adopted ASU 2015-16, "Simplifying the Accounting for Measurement-Period Adjustments." This ASU requires an acquirer in a business combination to recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. The adoption of ASU 2015-16 did not have any impact on the company's financial position, results of operations or cash flows.

In the first quarter of 2016, the company adopted ASU 2015-15, "Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements—Amendments to SEC Paragraphs Pursuant to Staff Announcement at June 18, 2015 EITF Meeting (SEC Update)," which clarifies the presentation and measurement of debt issuance costs incurred in connection with line of credit arrangements. The adoption of ASU 2015-15 did not have any impact on the company's financial position, results of operations or cash flows.

In the first quarter of 2016, the company adopted ASU 2015-07, "Disclosure for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)," which eliminates the requirement to categorize investments measured using the net asset value practical expedient within the fair value hierarchy table. The adoption of ASU 2015-07 did not have any impact on the company's financial position, results of operations or cash flows. However, as a result of adopting ASU 2015-07, plan assets that are reported using the net asset value practical expedient are no longer included in the fair value hierarchy table in Note 5.

In the first quarter of 2016, the company adopted ASU 2015-05, "Customer's Accounting for Fees Paid in a Cloud Computing Arrangement" on a prospective basis. This ASU clarifies the circumstances under which a cloud computing customer would account for the arrangement as a license of internal-use software. The adoption of ASU 2015-05 did not have a material impact on the company's financial position, results of operations or cash flows.

In the first quarter of 2016, the company adopted ASU 2015-03, "Simplifying the Presentation of Debt Issuance Costs" on a retrospective basis. This ASU changes the presentation of debt issuance costs on the balance sheet by requiring entities to present such costs as a direct deduction from the related debt liability rather than as an asset. As a result of the adoption of ASU 2015-03, debt issuance costs of \$6 million were reclassified from noncurrent assets to a direct deduction of long-term debt on the Consolidated Balance Sheet as of December 31, 2015. The adoption of ASU 2015-03 did not have any impact on the company's results of operations or cash flows.

In the first quarter of 2016, the company adopted ASU 2015-02, "Amendments to the Consolidation Analysis." This ASU amends the consolidation guidance for VIEs and general partners' investments in limited partnerships and modifies the evaluation of whether limited partnerships and similar legal entities are VIEs or voting interest entities. The adoption of ASU 2015-02 did not have a material impact on the company's financial position, results of operations or cash flows.

In the first quarter of 2016, the company adopted ASU 2015-01, "Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items." Under this ASU, an entity will no longer be allowed to separately disclose extraordinary items, net of tax, in the income statement after income from continuing operations if an event or transaction is unusual in nature and occurs infrequently. The adoption of ASU 2015-01 did not have any impact on the company's financial position, results of operations or cash flows.

Table of Contents

**FLUOR CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

In the first quarter of 2016, the company adopted ASU 2014-12, "Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved After the Requisite Service Period." This ASU requires that a performance target that affects vesting, and that could be achieved after the requisite service period, be treated as a performance condition. The adoption of ASU 2014-12 did not have any impact on the company's financial position, results of operations or cash flows.

In January 2017, the Financial Accounting Standards Board ("FASB") issued ASU 2017-04, "Simplifying the Test for Goodwill Impairment." ASU 2017-04 removes the second step of the goodwill impairment test, which requires a hypothetical purchase price allocation. A goodwill impairment will now be the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. ASU 2017-04 is effective for interim and annual reporting periods beginning after December 15, 2019 and will be applied prospectively. Management does not expect the adoption of ASU 2017-04 to have any impact on the company's financial position, results of operations or cash flows.

In January 2017, the FASB issued ASU 2017-01, "Business Combinations (Topic 805): Clarifying the Definition of a Business" which changes the definition of a business to assist entities with evaluating when a set of transferred assets and activities is a business. ASU 2017-01 requires an entity to evaluate if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or a group of similar identifiable assets; if so, the set of transferred assets and activities is not a business. ASU 2017-01 is effective for interim and annual reporting periods beginning after December 15, 2017. Management does not expect the adoption of ASU 2017-01 to have any impact on the company's financial position, results of operations or cash flows.

In November 2016, the FASB issued ASU 2016-18, "Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the FASB Emerging Issues Task Force)." ASU 2016-18 requires an entity to include in its cash and cash-equivalent balances in the statement of cash flows those amounts that are deemed to be restricted cash and restricted cash equivalents. ASU 2016-18 is effective for interim and annual reporting periods beginning after December 15, 2017. Management does not expect the adoption of ASU 2016-18 to have a material impact on the company's financial position, results of operations or cash flows.

In October 2016, the FASB issued ASU 2016-17, "Interests Held through Related Parties That Are Under Common Control" which amends the consolidation requirements that apply to a single decision maker's evaluation of interests held through related parties that are under common control when it is determining whether it is the primary beneficiary of a VIE. ASU 2016-17 is effective for interim and annual reporting periods beginning after December 15, 2016. Management does not expect the adoption of ASU 2016-17 to have a material impact on the company's financial position, results of operations or cash flows.

In August 2016, the FASB issued ASU 2016-15, "Classification of Certain Cash Receipts and Cash Payments." ASU 2016-15 amends the guidance in Accounting Standards Codification ("ASC") 230, which often requires judgment to determine the appropriate classification of cash flows as operating, investing or financing activities, and has resulted in diversity in practice in how certain cash receipts and cash payments are classified. ASU 2016-15 is effective for interim and annual reporting periods beginning after December 15, 2017 and should be applied on a retrospective basis. Management does not expect the adoption of ASU 2016-15 to have a material impact on the company's cash flows.

In June 2016, the FASB issued ASU 2016-13, "Measurement of Credit Losses on Financial Instruments." The amendments in this ASU replace the incurred loss impairment methodology in current practice with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to estimate credit losses. ASU 2016-13 is effective for interim and annual reporting periods beginning after December 15, 2019. Management does not expect the

Table of Contents

**FLUOR CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

adoption of ASU 2016-13 to have a material impact on the company's financial position, results of operations or cash flows.

In March 2016, the FASB issued ASU 2016-09, "Improvements to Employee Share-Based Payment Accounting." This ASU is intended to simplify various aspects of the accounting for share-based payment awards, including income tax consequences, classification of awards as either equity or liabilities, classification on the statement of cash flows and forfeiture rate calculations. ASU 2016-09 is effective for interim and annual reporting periods beginning after December 15, 2016. Management does not expect the adoption of ASU 2016-09 to have a material impact on the company's financial position, results of operations or cash flows.

In March 2016, the FASB issued ASU 2016-07, "Simplifying the Transition to the Equity Method of Accounting" which eliminates the requirement to retrospectively apply equity method accounting when an investor obtains significant influence over a previously held investment. ASU 2016-07 is effective for interim and annual reporting periods beginning after December 15, 2016, and should be applied prospectively. Management does not expect the adoption of ASU 2016-07 to have a material impact on the company's financial position, results of operations or cash flows.

In March 2016, the FASB issued ASU 2016-05, "Effect of Derivative Contract Novations on Existing Hedge Accounting Relationships." This ASU clarifies that the novation of a derivative contract in a hedge accounting relationship does not, in and of itself, require dedesignation of that hedge accounting relationship. ASU 2016-05 is effective for interim and annual reporting periods beginning after December 15, 2016. ASU 2016-05 can be applied on either a prospective or modified retrospective basis. Management does not expect the adoption of ASU 2016-05 to have a material impact on the company's financial position, results of operations or cash flows.

In February 2016, the FASB issued ASU 2016-02, "Leases: Amendments to the FASB Accounting Standards Codification," which amends the existing guidance on accounting for leases. This ASU requires the recognition of lease assets and lease liabilities on the balance sheet, and the disclosure of key information about leasing arrangements. ASU 2016-02 is effective for interim and annual reporting periods beginning after December 15, 2018. Early adoption is permitted and modified retrospective application is required for leases that exist or are entered into after the beginning of the earliest comparative period in the financial statements. Management is currently evaluating the impact of adopting ASU 2016-02 on the company's financial position, results of operations or cash flows.

In January 2016, the FASB issued ASU 2016-01, "Financial Instruments - Overall - Recognition and Measurement of Financial Assets and Financial Liabilities." This ASU requires entities to measure equity investments that do not result in consolidation and are not accounted for under the equity method at fair value and to recognize any changes in fair value in net income unless the investments qualify for a practicability exception. ASU 2016-01 is effective for interim and annual reporting periods beginning after December 15, 2017. Management does not expect the adoption of ASU 2016-01 to have a material impact on the company's financial position, results of operations or cash flows.

*Revenue Recognition*

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers," which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. ASU 2014-09 outlines a five-step process for revenue recognition that focuses on transfer of control, as opposed to transfer of risk and rewards, and also requires enhanced disclosures regarding the nature, amount, timing and uncertainty of revenues and cash flows from contracts with customers. Major provisions include determining which goods and services are distinct and represent separate performance obligations, how variable consideration (which may include change orders and claims) is recognized,

Table of Contents

**FLUOR CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

whether revenue should be recognized at a point in time or over time and ensuring the time value of money is considered in the transaction price.

As a result of the deferral of the effective date in ASU 2015-14, "Revenue from Contracts with Customers – Deferral of the Effective Date," the company will now be required to adopt ASU 2014-09 for interim and annual reporting periods beginning after December 15, 2017. Early adoption is permitted as of interim and annual reporting periods beginning after December 15, 2016. ASU 2014-09 can be applied either retrospectively to each prior period presented or as a cumulative-effect adjustment as of the date of adoption.

In March 2016, the FASB issued ASU 2016-08, "Principal versus Agent Considerations (Reporting Revenue Gross versus Net)" which clarifies the principal versus agent guidance in ASU 2014-09. ASU 2016-08 clarifies how an entity determines whether to report revenue gross or net based on whether it controls a specific good or service before it is transferred to a customer. ASU 2016-08 also reframes the indicators to focus on evidence that an entity is acting as a principal rather than as an agent.

In April 2016, the FASB issued ASU 2016-10, "Identifying Performance Obligations and Licensing," which amends certain aspects of ASU 2014-09. ASU 2016-10 amends how an entity should identify performance obligations for immaterial promised goods or services, shipping and handling activities and promises that may represent performance obligations. ASU 2016-10 also provides implementation guidance for determining the nature of licensing and royalties arrangements.

In May 2016, the FASB issued ASU 2016-12, "Narrow-Scope Improvements and Practical Expedients," which also clarifies certain aspects of ASU 2014-09 including the assessment of collectability, presentation of sales taxes, treatment of noncash consideration, and accounting for completed contracts and contract modifications at transition.

In December 2016, the FASB issued ASU 2016-20, "Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers," which allows an entity to determine the provision for loss contracts at either the contract level or the performance obligation level as an accounting policy election. ASU 2016-20, 2016-12, 2016-10 and 2016-08 are effective upon adoption of ASU 2014-09.

Management is currently evaluating the impact of adopting ASU 2014-09, 2016-08, 2016-10, 2016-12 and 2016-20 on the company's financial position, results of operations, cash flows and related disclosures. Adoption of these ASUs is expected to affect the manner in which the company determines the unit of account for its projects (i.e., performance obligations). Under existing guidance, the company typically segments revenue and margin recognition between the engineering and construction phases of its contracts. Upon adoption, the company expects that the entire engineering and construction contract will typically be a single unit of account (a single performance obligation), which will result in a more constant recognition of revenue and margin over the term of the contract. The company will adopt ASU 2014-09 during the first quarter of 2018. The company expects to adopt this new standard using the modified retrospective method that will result in a cumulative effect adjustment as of the date of adoption.

**2. Discontinued Operations**

During 2014, the company recorded an after-tax loss from discontinued operations of \$205 million in connection with the reassessment of estimated loss contingencies related to the lead business of St. Joe Minerals Corporation and The Doe Run Company in Herculaneum, Missouri, which the company sold in 1994. The tax effect associated with this loss was \$112 million. During 2015, the company recorded an after-tax loss from discontinued operations of \$6 million resulting from the settlement of lead exposure cases related to the divested lead business and the payment of legal fees incurred in connection with a pending indemnification action against the buyer of the lead business for these settlements and others. The tax effect associated with this loss was \$3 million.

Table of Contents

## FLUOR CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

**3. Consolidated Statement of Cash Flows**

The changes in operating assets and liabilities as shown in the Consolidated Statement of Cash Flows are comprised of:

(in thousands)	Year Ended December 31,		
	2016	2015	2014
(Increase) decrease in:			
Accounts and notes receivable, net	\$ (337,775)	\$ 190,141	\$ (336,109)
Contract work in progress	(72,419)	80,742	50,570
Other current assets	19,311	(20,861)	24,659
Other assets	250,332	(54,726)	48,403
Increase (decrease) in:			
Trade accounts payable	200,480	(57,317)	(153,515)
Advance billings on contracts	43,985	243,996	(63,594)
Accrued liabilities	40,088	(38,529)	31,697
Other liabilities	(8,609)	(39,550)	(10,972)
Increase (decrease) in cash due to changes in operating assets and liabilities	\$ 135,393	\$ 303,896	\$ (408,861)
Cash paid during the year for:			
Interest	\$ 72,057	\$ 40,585	\$ 23,509
Income taxes (net of refunds)	164,836	249,921	228,471

**4. Income Taxes**

The income tax expense (benefit) included in the Consolidated Statement of Earnings from continuing operations is as follows:

(in thousands)	Year Ended December 31,		
	2016	2015	2014
Current:			
Federal	\$ 120,798	\$ 22,465	\$ 126,490
Foreign	95,198	203,125	151,240
State and local	11,067	15,623	13,001
Total current	227,063	241,213	290,731
Deferred:			
Federal	58,601	8,867	74,037
Foreign	(65,656)	(5,630)	(10,353)
State and local	(857)	1,438	(1,600)
Total deferred	(7,912)	4,675	62,084
Total income tax expense	\$ 219,151	\$ 245,888	\$ 352,815





Table of Contents**FLUOR CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

A reconciliation of U.S. statutory federal income tax expense to income tax expense is as follows:

(in thousands)	Year Ended December 31,		
	2016	2015	2014
U.S. statutory federal tax expense	\$ 191,310	\$ 254,293	\$ 421,718
Increase (decrease) in taxes resulting from:			
State and local income taxes	5,785	11,518	7,670
Other permanent items, net	(11,101)	(5,828)	(9,378)
Noncontrolling interests	(16,117)	(21,873)	(47,822)
Foreign losses, net	24,288	8,640	4,121
Valuation allowance, net	6,978	5,611	(12,984)
Statute expirations and tax authority settlements	(13,280)	(7,827)	(19,331)
Revaluation due to Section 987 tax law change	24,156		
Other changes to unrecognized tax positions	2,061	491	5,574
Other, net	5,071	863	3,247
Total income tax expense	\$ 219,151	\$ 245,888	\$ 352,815

Deferred taxes reflect the tax effects of differences between the amounts recorded as assets and liabilities for financial reporting purposes and the amounts recorded for income tax purposes. The tax effects of significant temporary differences giving rise to deferred tax assets and liabilities are as follows:

(in thousands)	December 31,	
	2016	2015
Deferred tax assets:		
Accrued liabilities not currently deductible:		
Employee compensation and benefits	\$ 117,981	\$ 124,300
Employee time-off accrual	94,134	92,507
Project and non-project reserves	46,219	22,270
Workers' compensation insurance accruals	10,681	12,083
Tax basis of investments in excess of book basis	69,195	
Revenue recognition	17,525	
Net operating loss carryforward	180,450	184,475
Other comprehensive loss	271,878	258,618
Other	5,941	57,285
Total deferred tax assets	814,004	751,538
Valuation allowance for deferred tax assets	(81,360)	(167,360)
Deferred tax assets, net	\$ 732,644	\$ 584,178
Deferred tax liabilities:		
Book basis of property, equipment and other capital costs in excess of tax basis	(88,262)	(45,611)
Residual U.S. tax on unremitted non-U.S. earnings	(161,827)	(95,823)
Revenue recognition		(17,518)
Other	(28,446)	(30,394)

Edgar Filing: FLUOR CORP - Form 10-K

Total deferred tax liabilities	(278,535)	(189,346)
Deferred tax assets, net of deferred tax liabilities	\$ 454,109	\$ 394,832

F-22

---

Table of Contents**FLUOR CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The company had non-U.S. net operating loss carryforwards, related to various jurisdictions, of approximately \$760 million as of December 31, 2016. Of the total losses, \$574 million can be carried forward indefinitely and \$186 million will begin to expire in various jurisdictions starting in 2017.

The company maintains a valuation allowance to reduce certain deferred tax assets to amounts that are more likely than not to be realized. The valuation allowance for 2016 and 2015 is primarily due to the deferred tax assets established for certain net operating loss carryforwards and certain reserves on investments. The recent strong earnings history of our U.K. branch provided enough positive evidence to release a \$127 million valuation allowance on its net operating loss carryforward in 2016. This release does not impact total tax expense as it relates to branch income which is included in the U.S. tax return. The Stork acquisition added \$36 million to the valuation allowance as a result of purchase price accounting. In 2015 and 2014, we released valuation allowance on branch net operating losses of \$47 million and \$24 million, respectively.

On December 7, 2016, the U.S. Treasury issued regulations under Internal Revenue Code Section 987 ("Section 987 Regulations") which prescribes how companies are required to calculate foreign currency translation gains and losses for income tax purposes for branches that have functional currencies other than the U.S. dollar. The issuance of the Section 987 Regulations necessitated the reduction of deferred tax assets in the amount of \$24 million.

The company conducts business globally and, as a result, the company or one or more of its subsidiaries files income tax returns in the U.S. federal jurisdiction and various state and foreign jurisdictions. In the normal course of business, the company is subject to examination by taxing authorities throughout the world, including such major jurisdictions as Australia, Canada, the Netherlands, South Africa, the United Kingdom and the United States. Although the company believes its reserves for its tax positions are reasonable, the final outcome of tax audits could be materially different, both favorably and unfavorably. With a few exceptions, the company is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations for years before 2013.

In 2016, the company concluded an audit with the U.S. Internal Revenue Service ("IRS") for tax years 2012-2013. This resulted in a net reduction in tax expense of \$11 million. During 2015, the company reached a settlement on certain issues with the IRS for tax years 2004 - 2005 and concluded an audit with the IRS for tax years 2009 - 2011, which resulted in a net reduction in tax expense of \$8 million. During 2014, the company concluded an audit with the IRS for tax years 2006 - 2008. This resulted in a net reduction in tax expense of \$19 million.

The unrecognized tax benefits as of December 31, 2016 and 2015 were \$59 million and \$42 million, of which \$9 million and \$21 million, if recognized, would have favorably impacted the effective tax rates at the end of 2016 and 2015, respectively. The company does not anticipate any significant changes to the unrecognized tax benefits within the next twelve months.

A reconciliation of the beginning and ending amount of unrecognized tax benefits including interest and penalties is as follows:

(in thousands)	2016	2015
Balance at beginning of year	\$ 42,203	\$ 33,972
Change in tax positions of prior years	30,034	18,860
Change in tax positions of current year		
Reduction in tax positions for statute expirations	(1,044)	(539)
Reduction in tax positions for audit settlements	(12,312)	(10,090)
Balance at end of year	\$ 58,881	\$ 42,203

Table of Contents**FLUOR CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The company recognizes accrued interest and penalties related to unrecognized tax benefits in income tax expense. The company had \$8 million of accrued interest and penalties as of both December 31, 2016 and 2015.

U.S. and foreign earnings from continuing operations before taxes are as follows:

(in thousands)	Year Ended December 31,		
	2016	2015	2014
United States	\$ (33,414)	\$ 12,520	\$ 332,497
Foreign	580,014	714,032	872,412
<b>Total</b>	<b>\$ 546,600</b>	<b>\$ 726,552</b>	<b>\$ 1,204,909</b>

Earnings from continuing operations before taxes in the United States decreased in 2016 compared to 2015 primarily due to pre-tax charges totaling \$265 million related to forecast revisions for estimated cost increases on a petrochemicals project in the Energy, Chemicals & Mining segment. Earnings from continuing operations before taxes in foreign jurisdictions decreased in 2016 compared to 2015 primarily due to lower contributions from the Energy, Chemicals & Mining segment. Earnings from continuing operations before taxes in the United States decreased in 2015 compared to 2014 primarily due to a pre-tax pension settlement charge of \$240 million (discussed in Note 5 below). Earnings from continuing operations before taxes in foreign jurisdictions decreased in 2015 compared to 2014 primarily due to lower contributions from the mining and metals business line of the Energy, Chemicals & Mining segment.

**5. Retirement Benefits**

The company sponsors contributory and non-contributory defined contribution retirement and defined benefit pension plans for eligible employees worldwide.

*Defined Contribution Retirement Plans*

Domestic and international defined contribution retirement plans are available to eligible salaried and craft employees. Contributions to defined contribution retirement plans are based on a percentage of the employee's eligible compensation. The company recognized expense of \$167 million, \$146 million and \$150 million associated with contributions to its defined contribution retirement plans during 2016, 2015 and 2014, respectively.

*Defined Benefit Pension Plans*

Certain defined benefit pension plans are available to eligible international salaried employees. A defined benefit pension plan was previously available to U.S. salaried and craft employees; however, the U.S. defined benefit pension plan (the "U.S. plan") was terminated on December 31, 2014 (see further discussion below). Contributions to defined benefit pension plans are at least the minimum amounts required by applicable regulations. Benefit payments under these plans are generally based upon length of service and/or a percentage of qualifying compensation.

The company's Board of Directors previously approved amendments to freeze the accrual of future service-related benefits for salaried participants of the U.S. plan as of December 31, 2011 and craft participants of the U.S. plan as of December 31, 2013. During the fourth quarter of 2014, the company's Board of Directors approved an amendment to terminate the U.S. plan effective December 31, 2014. In December 2015, the company settled the remaining obligations associated with the U.S. plan. Plan participants received vested benefits from the plan assets by electing either a lump-sum distribution, roll-over contribution to other defined contribution or individual retirement plans, or an annuity contract with a third-party provider. As a result of the settlement, the company was relieved of any further

Table of Contents**FLUOR CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

obligation. During 2015, the company recorded a pension settlement charge of \$251 million, of which \$11 million was reimbursable and included in "Total cost of revenue" and \$240 million was recorded as "Pension settlement charge" in the Consolidated Statement of Earnings. The settlement charge consisted primarily of unrecognized actuarial losses included in AOCI. The settlement of the plan obligations did not have a material impact on the company's cash position.

The company's defined benefit pension plan in the Netherlands was closed to new participants on December 31, 2013. The company previously approved an amendment to freeze the accrual of future service-related benefits for eligible participants of the U.K. pension plan as of April 1, 2011.

Net periodic pension expense for the U.S. and non-U.S. defined benefit pension plans included the following components:

(in thousands)	U.S. Pension Plan			Non-U.S. Pension Plans		
	Year Ended December 31,			Year Ended December 31,		
	2016	2015	2014	2016	2015	2014
Service cost	\$	\$ 6,800	\$ 3,800	\$ 19,507	\$ 20,517	\$ 16,217
Interest cost		16,116	31,675	26,435	26,511	34,536
Expected return on assets		(19,711)	(30,105)	(39,535)	(49,066)	(48,077)
Amortization of prior service cost/(credits)		867	750	(813)	(814)	
Recognized net actuarial loss		9,714	4,435	8,819	7,681	7,738
Loss on settlement		250,946		396	390	
Net periodic pension expense	\$	\$ 264,732	\$ 10,555	\$ 14,809	\$ 5,219	\$ 10,414

The ranges of assumptions indicated below cover defined benefit pension plans in the United States, the Netherlands, the United Kingdom, Germany, the Philippines and Australia and are based on the economic environment in each host country at the end of each respective annual reporting period. The discount rates for the non-U.S. defined benefit pension plans were determined primarily based on a hypothetical yield curve developed from the yields on high quality corporate and government bonds with durations consistent with the pension obligations in those countries. The discount rate for the U.S. plan was determined based on assumptions which reflected the intended settlement of the plan in 2015. Benefits that were assumed to be settled as lump-sum payments to plan participants were estimated using interest rates prescribed by law. Benefits that were assumed to be settled through an annuity purchase were estimated using a blend of U.S. Treasury and high-quality corporate bond discount rates. The expected long-term rate of return on asset assumptions utilizing historical returns, correlations and

Table of Contents

## FLUOR CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

investment manager forecasts are established for each major asset category including public U.S. and international equities and government, corporate and other debt securities.

	U.S. Pension Plan			Non-U.S. Pension Plans		
	December 31,			December 31,		
	2016	2015	2014	2016	2015	2014
For determining projected benefit obligation at year-end:						
Discount rates	N/A	N/A	1.95%	1.90-5.00%	2.35-5.50%	2.20-5.00%
Rates of increase in compensation levels	N/A	N/A	N/A	2.25-7.00%	2.25-7.00%	2.25-8.00%
For determining net periodic cost for the year:						
Discount rates	N/A	1.95%	4.95%	1.90-5.50%	2.20-5.00%	3.55-5.00%
Rates of increase in compensation levels	N/A	N/A	N/A	2.25-7.00%	2.25-8.00%	2.25-9.00%
Expected long-term rates of return on assets	N/A	2.95%	4.55%	4.30-7.00%	4.90-7.00%	4.75-7.00%

The company evaluates the funded status of each of its retirement plans using the above assumptions and determines the appropriate funding level considering applicable regulatory requirements, tax deductibility, reporting considerations and other factors. The funding status of the plans is sensitive to changes in long-term interest rates and returns on plan assets, and funding obligations could increase substantially if interest rates fall dramatically or returns on plan assets are below expectations. Assuming no changes in current assumptions, the company expects to contribute up to \$15 million to its defined benefit pension plans in 2017, which is expected to be in excess of the minimum funding required. If the discount rates were reduced by 25 basis points, plan liabilities for the defined benefit pension plans would increase by approximately \$51 million.

The following table sets forth the target allocations and the weighted average actual allocations of plan assets:

	Target Allocation	December 31,	
		2016	2015
Asset category:			
Debt securities	65% - 75%	68%	70%
Equity securities	20% - 30%	26%	27%
Other	0% - 10%	6%	3%
Total		100%	100%

The company's investment strategy is to maintain asset allocations that appropriately address risk within the context of seeking adequate returns. Investment allocations are determined by each plan's governing body. Asset allocations may be affected by local regulations. Long-term allocation guidelines are set and expressed in terms of a target range allocation for each asset class to provide portfolio management flexibility. Short-term deviations from these allocations may exist from time to time for tactical investment or strategic implementation purposes.

Investments in debt securities are used to provide stable investment returns while protecting the funding status of the plans. Investments in equity securities are utilized to generate long-term capital appreciation to mitigate the effects of increases in benefit obligations resulting from inflation, longer life expectancy and salary growth. While most of the company's plans are not prohibited from investing in the company's common stock or debt securities, there are no such direct investments at the present time.

Table of Contents

**FLUOR CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Plan assets included investments in common or collective trusts (or "CCTs"), which offer efficient access to diversified investments across various asset categories. The estimated fair value of the investments in the common or collective trusts represents the net asset value of the shares or units of such funds as determined by the issuer. A redemption notice period of no more than 30 days is required for the plans to redeem certain investments in common or collective trusts. At the present time, there are no other restrictions on how the plans may redeem their investments.

Debt securities are comprised of corporate bonds, government securities, repurchase agreements and common or collective trusts, with underlying investments in corporate bonds, government and asset backed securities and interest rate swaps. Corporate bonds primarily consist of investment-grade rated bonds and notes, of which no significant concentration exists in any one rating category or industry. Government securities include international government bonds, some of which are inflation-indexed. Corporate bonds and government securities are valued based on pricing models, which are determined from a compilation of primarily observable market information, broker quotes in non-active markets or similar assets.

Equity securities are diversified across various industries and are comprised of common stocks of international companies as well as common or collective trusts with underlying investments in common and preferred stocks. Publicly traded corporate equity securities are valued based on the last trade or official close of an active market or exchange on the last business day of the plan's year. Securities not traded on the last business day are valued at the last reported bid price. As of both December 31, 2016 and 2015, direct investments in equity securities were concentrated in international securities.

Other is primarily comprised of common or collective trusts, short-term investment funds, guaranteed investment contracts and foreign currency contracts. Common or collective trusts hold underlying investments in a variety of asset classes including commodities and foreign currency contracts. The estimated fair value of foreign currency contracts is determined from broker quotes. Guaranteed investment contracts are insurance contracts that guarantee a principal repayment and a stated rate of interest. The estimated fair value of these insurance contracts represents the discounted value of guaranteed benefit payments. These insurance contracts were classified as Level 3 investments, as defined below.

The fair value hierarchy established by ASC 820, "Fair Value Measurement," prioritizes the use of inputs used in valuation techniques into the following three levels:

quoted prices in active markets for identical assets and liabilities

Level 1

inputs other than quoted prices in active markets for identical assets and liabilities that are observable, either directly or indirectly

Level 2

unobservable inputs

Level 3

The company measures and reports assets and liabilities at fair value utilizing pricing information received from third parties. The company performs procedures to verify the reasonableness of pricing information received for significant assets and liabilities classified as Level 2.



Table of Contents

## FLUOR CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following table presents, for each of the fair value hierarchy levels required under ASC 820-10, the plan assets and liabilities of the company's non-U.S. defined benefit pension plans that are measured at fair value on a recurring basis as of December 31, 2016 and 2015:

(in thousands)	December 31, 2016				December 31, 2015			
	Total	Fair Value Hierarchy			Total	Fair Value Hierarchy		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
<b>Assets:</b>								
Equity securities:								
Common stock	\$ 3,187	\$ 3,187		\$	\$ 2,150	\$ 2,150		\$
Debt securities:								
Corporate bonds	139,243		139,243		147,559		147,559	
Government securities	276,266		276,266		169,433		169,433	
Other:								
Guaranteed investment contracts	19,075			19,075				
Foreign currency contracts and other	5,244		5,244		16,489		16,489	
Liabilities:								
Debt securities:								
Repurchase agreements	(107,328)		(107,328)					
Other:								
Foreign currency contracts and other	(5,113)		(5,113)		(19,211)		(19,211)	
Plan assets measured at fair value, net	\$ 330,574	\$ 3,187	\$ 308,312	\$ 19,075	\$ 316,420	\$ 2,150	\$ 314,270	\$
Plan assets measured at net asset value:								
CCTs equity securities	240,203				242,028			
CCTs debt securities	337,265				318,103			
CCTs other	41,744				29,265			
Plan assets not measured at fair value, net	1,161				14,661			
Total plan assets, net	\$ 950,947				\$ 920,477			

The following table presents a reconciliation of the beginning and ending balances of the fair value measurements using significant unobservable inputs (Level 3):

(in thousands)	U.S. Pension Plan		Non-U.S. Pension Plans	
	2016	2015 <sup>(1)</sup>	2016	2015 <sup>(2)</sup>
Balance at beginning of year	\$	\$ 12,393	\$	\$ 6,651
Actual return on plan assets:				
Assets still held at reporting date			(1,268)	
Assets sold during the period		136		(344)

Edgar Filing: FLUOR CORP - Form 10-K

Acquisitions			21,923	
Purchases				
Sales		(12,529)		(6,307)
Settlements			(1,580)	
Balance at end of year	\$	\$	\$ 19,075	\$

F-28

---

Table of Contents**FLUOR CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

- (1) The U.S. plan held investments in limited partnerships as of January 1, 2015. Limited partnerships were valued at the plan's proportionate share of the estimated fair value of the underlying net assets as determined by the general partners. The limited partnerships were classified as Level 3 investments, as defined above. In anticipation of the plan settlement, the company purchased all of the remaining investments in limited partnerships from the U.S. plan during the third quarter of 2015, as allowed under a prohibited transaction exemption with the U.S. Department of Labor. The purchase price approximated the fair value of the investments as of September 30, 2015.
- (2) The non-U.S. plans held common or collective trusts with underlying investments in real estate as of January 1, 2015. These assets were classified as Level 3 investments and subsequently sold during 2015.

The following table presents expected benefit payments for the non-U.S. defined benefit pension plans:

(in thousands)	<b>Non-U.S. Pension Plans</b>	
<u>Year Ended December 31,</u>		
2017	\$	33,153
2018		33,790
2019		34,430
2020		36,287
2021		47,918
2022 - 2026		191,299

F-29

Table of Contents**FLUOR CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Measurement dates for the company's U.S. and non-U.S. defined benefit pension plans are December 31. The following table sets forth the change in projected benefit obligation, plan assets and funded status of the U.S. and non-U.S. plans:

(in thousands)	U.S. Pension Plan		Non-U.S. Pension Plans	
	December 31,		December 31,	
	2016	2015	2016	2015
<b>Change in projected benefit obligation</b>				
Benefit obligation at beginning of year	\$	\$ 815,368	\$ 911,550	\$ 1,005,138
Service cost		6,800	19,507	20,517
Interest cost		16,116	26,435	26,511
Employee contributions			3,272	
Currency translation			(80,418)	(76,801)
Actuarial (gain) loss		(40,050)	96,216	(32,104)
Plan amendments				
Benefits paid		(22,068)	(33,695)	(31,711)
Settlements		(768,185)		
Acquisitions			55,799	
Other		(7,981)	(10,677)	
Projected benefit obligation at end of year			987,989	911,550
<b>Change in plan assets</b>				
Plan assets at beginning of year		751,268	920,477	1,032,133
Actual return on plan assets		(8,034)	124,210	(8,349)
Company contributions		55,000	14,868	3,446
Employee contributions			3,272	
Currency translation			(88,852)	(75,042)
Benefits paid		(22,068)	(33,695)	(31,711)
Settlements		(768,185)		
Acquisitions			21,923	
Other		(7,981)	(11,256)	
Plan assets at end of year			950,947	920,477
Funded Status (Under)/overfunded	\$	\$	\$ (37,042)	\$ 8,927
<b>Amounts recognized in the Consolidated Balance Sheet</b>				
Pension assets included in other assets	\$	\$	\$ 30,977	\$ 84,328
Pension assets included in other accrued liabilities			(2,001)	
Pension liabilities included in noncurrent liabilities			(66,018)	(75,401)
Accumulated other comprehensive loss (pre-tax)	\$	\$	\$ 231,225	\$ 247,541

During 2017, approximately \$7 million of the amount of accumulated other comprehensive loss shown above is expected to be recognized as components of net periodic pension expense for the non-U.S. plans.

Projected benefit obligations exceeded plan assets for all defined benefit pension plans as of December 31, 2016, with the exception of the plan in the United Kingdom. In the aggregate, these plans had projected benefit obligations of \$625 million and plan assets with a fair value of \$557 million as of December 31, 2016.

Edgar Filing: FLUOR CORP - Form 10-K

The total accumulated benefit obligation for all defined benefit pension plans as of December 31, 2016 and 2015 was \$919 million and \$863 million, respectively. As of December 31, 2016, the accumulated

F-30

---

Table of Contents**FLUOR CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

benefit obligation exceeded plan assets for certain defined benefit pension plans in the Netherlands and Germany that the company assumed in the Stork acquisition. Plan assets exceeded the accumulated benefit obligation for each of the other non-U.S plans (including the company's legacy plan in the Netherlands) as of December 31, 2016. The accumulated benefit obligation exceeded plan assets for the company's legacy plan in the Netherlands as of December 31, 2015. Plan assets exceeded the accumulated benefit obligation for each of the other non-U.S plans as of December 31, 2015.

*Multiemployer Pension Plans*

In addition to the company's defined benefit pension plans discussed above, the company participates in multiemployer pension plans for its union construction and maintenance craft employees. Contributions are based on the hours worked by employees covered under various collective bargaining agreements. Company contributions to these multiemployer pension plans were \$108 million, \$22 million and \$23 million during 2016, 2015 and 2014, respectively. The increase in contributions during 2016 primarily resulted from an increase in craft employees at two nuclear power plant projects in the United States and a refinery project in Canada. The company is not aware of any significant future obligations or funding requirements related to these plans other than the ongoing contributions that are paid as hours are worked by plan participants. None of these multiemployer pension plans are individually significant to the company.

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

**6. Fair Value of Financial Instruments**

The fair value hierarchy established by ASC 820, "Fair Value Measurement," prioritizes the use of inputs used in valuation techniques into the following three levels:

quoted prices in active markets for identical assets and liabilities

## Level 1

inputs other than quoted prices in active markets for identical assets and liabilities that are observable, either directly or indirectly

## Level 2

unobservable inputs

## Level 3

The company measures and reports assets and liabilities at fair value utilizing pricing information received from third parties. The company performs procedures to verify the reasonableness of pricing information received for significant assets and liabilities classified as Level 2.

Table of Contents**FLUOR CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The following table presents, for each of the fair value hierarchy levels required under ASC 820-10, the company's assets and liabilities that are measured at fair value on a recurring basis as of December 31, 2016 and 2015:

(in thousands)	December 31, 2016				December 31, 2015			
	Total	Fair Value Hierarchy			Total	Fair Value Hierarchy		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
<b>Assets:</b>								
Cash and cash equivalents <sup>(1)</sup>	\$ 21,035	\$ 21,035	\$	\$	\$ 19,161	\$ 19,161	\$	\$
Marketable securities, current <sup>(2)</sup>	54,840		54,840		87,763		87,763	
Deferred compensation trusts <sup>(3)</sup>	37,510	37,510			60,003	60,003		
Marketable securities, noncurrent <sup>(4)</sup>	143,553		143,553		220,634		220,634	
<b>Derivative assets<sup>(5)</sup></b>								
Commodity contracts	83		83		341		341	
Foreign currency contracts	34,776		34,776		8,439		8,439	
<b>Liabilities:</b>								
<b>Derivative liabilities<sup>(5)</sup></b>								
Commodity contracts	\$ 129	\$	\$ 129	\$	\$ 2,510	\$	\$ 2,510	\$
Foreign currency contracts	43,574		43,574		14,138		14,138	

(1) Consists primarily of registered money market funds valued at fair value. These investments represent the net asset value of the shares of such funds as of the close of business at the end of the period.

(2) Consists of investments in U.S. agency securities, U.S. Treasury securities and corporate debt securities with maturities of less than one year that are valued based on pricing models, which are determined from a compilation of primarily observable market information, broker quotes in non-active markets or similar assets.

(3) Consists primarily of registered money market funds and an equity index fund valued at fair value. These investments, which are trading securities, represent the net asset value of the shares of such funds as of the close of business at the end of the period based on the last trade or official close of an active market or exchange.

(4) Consists of investments in U.S. agency securities, U.S. Treasury securities and corporate debt securities with maturities ranging from one year to three years that are valued based on pricing models, which are determined from a compilation of primarily observable market information, broker quotes in non-active markets or similar assets.

(5) See Note 7 for the classification of commodity and foreign currency contracts in the Consolidated Balance Sheet. Commodity and foreign currency contracts are estimated using standard pricing models with market-based inputs, which take into account the present value of estimated future cash flows.

All of the company's financial instruments carried at fair value are included in the table above. All of the above financial instruments are available-for-sale securities except for those held in the deferred compensation trusts (which are trading securities) and derivative assets and

## Edgar Filing: FLUOR CORP - Form 10-K

liabilities. The company has determined that there was no other-than-temporary impairment of available-for-sale securities with unrealized losses, and the company expects to recover the entire cost basis of the securities. The available-for-sale securities are made up of the following security types as of December 31, 2016: money market funds of \$21 million, U.S. agency securities of \$11 million, U.S. Treasury securities of \$87 million and corporate debt securities of \$100 million. As of December 31, 2015, available-for-sale securities consisted of money market funds of \$19 million, U.S. agency securities of \$18 million, U.S. Treasury securities of \$102 million and corporate debt securities of \$189 million. The amortized cost of these available-for-sale securities is not materially different from the fair value. During 2016, 2015 and 2014, proceeds from sales and maturities of available-for-sale securities were \$286 million, \$336 million and \$274 million, respectively.

F-32

---



Table of Contents**FLUOR CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

In addition to assets and liabilities that are measured at fair value on a recurring basis, the company is required to measure certain assets and liabilities at fair value on a nonrecurring basis. See Notes 18 and 19 for further discussion of nonrecurring fair value measurements related to the company's acquisition of Stork and a partial sale of a subsidiary.

The carrying values and estimated fair values of the company's financial instruments that are not required to be measured at fair value in the Consolidated Balance Sheet are as follows:

(in thousands)	Fair Value Hierarchy	December 31, 2016		December 31, 2015	
		Carrying Value	Fair Value	Carrying Value	Fair Value
<b>Assets:</b>					
Cash <sup>(1)</sup>	Level 1	\$ 1,133,295	\$ 1,133,295	\$ 1,073,756	\$ 1,073,756
Cash equivalents <sup>(2)</sup>	Level 2	696,106	696,106	856,969	856,969
Marketable securities, current <sup>(3)</sup>	Level 2	56,197	56,197	109,329	109,329
Notes receivable, including noncurrent portion <sup>(4)</sup>	Level 3	29,458	29,458	19,182	19,182
<b>Liabilities:</b>					
1.750% Senior Notes <sup>(5)</sup>	Level 2	\$ 523,629	\$ 551,582	\$	\$
3.375% Senior Notes <sup>(5)</sup>	Level 2	496,011	512,510	495,165	509,025
3.5% Senior Notes <sup>(5)</sup>	Level 2	492,360	508,230	491,399	504,265
Revolving Credit Facility <sup>(6)</sup>	Level 2	52,735	52,735		
Other borrowings, including noncurrent portion <sup>(7)</sup>	Level 2	35,457	35,457		

(1) Cash consists of bank deposits. Carrying amounts approximate fair value.

(2) Cash equivalents consist of held-to-maturity time deposits with maturities of three months or less at the date of purchase. The carrying amounts of these time deposits approximate fair value because of the short-term maturity of these instruments.

(3) Marketable securities, current consist of held-to-maturity time deposits with original maturities greater than three months that will mature within one year. The carrying amounts of these time deposits approximate fair value because of the short-term maturity of these instruments. Amortized cost is not materially different from the fair value.

(4) Notes receivable are carried at net realizable value which approximates fair value. Factors considered by the company in determining the fair value include the credit worthiness of the borrower, current interest rates, the term of the note and any collateral pledged as security. Notes receivable are periodically assessed for impairment.

(5) The fair value of the 1.750% Senior Notes, 3.375% Senior Notes and 3.5% Senior Notes are estimated based on quoted market prices for similar issues.

(6) Amounts represent borrowings under the company's €125 million Revolving Credit Facility which expires in April 2017, as discussed in Note 8. The carrying amount of the borrowings under this revolving credit facility approximates fair value because of the short-term maturity

(7) Other borrowings as of December 31, 2016 primarily represent bank loans and other financing arrangements assumed in conjunction with the acquisition of Stork. See Note 18 for a further discussion of the acquisition. The majority of these borrowings mature within

one year. The carrying amount of borrowings under these arrangements approximates fair value because of the short-term maturity.

F-33

---

Table of Contents

## FLUOR CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

**7. Derivatives and Hedging**

As of December 31, 2016, the company had total gross notional amounts of approximately \$1 billion of foreign currency contracts (primarily related to the British Pound, Euro, Kuwaiti Dinar and South Korean Won) and \$2 million of commodity contracts outstanding relating to engineering and construction contract obligations and monetary assets and liabilities denominated in nonfunctional currencies. The foreign currency contracts are of varying duration, none of which extend beyond December 2019. The commodity contracts are of varying duration, none of which extend beyond December 2017. The impact to earnings due to hedge ineffectiveness was immaterial for the years ended December 31, 2016, 2015 and 2014.

The fair values of derivatives designated as hedging instruments under ASC 815 as of December 31, 2016 and 2015 were as follows:

(in thousands)	Asset Derivatives			Liability Derivatives		
	Balance Sheet Location	December 31, 2016	December 31, 2015	Balance Sheet Location	December 31, 2016	December 31, 2015
Commodity contracts	Other current assets	\$ 83	\$ 326	Other accrued liabilities	\$ 129	\$ 2,195
Foreign currency contracts	Other current assets	13,231	6,865	Other accrued liabilities	16,543	12,381
Commodity contracts	Other assets		15	Noncurrent liabilities		315
Foreign currency contracts	Other assets	21,545	1,574	Noncurrent liabilities	27,031	1,757
<b>Total</b>		<b>\$ 34,859</b>	<b>\$ 8,780</b>		<b>\$ 43,703</b>	<b>\$ 16,648</b>

The pre-tax net losses recognized in earnings associated with the hedging instruments designated as fair value hedges for the years ended December 31, 2016, 2015 and 2014 were as follows:

Fair Value Hedges (in thousands)	Location of Loss	2016	2015	2014
	Corporate general and administrative			
Foreign currency contracts	expense	\$ (2,886)	\$ (5,191)	\$ (3,322)

The pre-tax net losses recognized in earnings on hedging instruments for the fair value hedges offset the amount of gains recognized in earnings on the hedged items in the same locations in the Consolidated Statement of Earnings.

The after-tax amount of gain (loss) recognized in OCI and reclassified from AOCI into earnings associated with the derivative instruments designated as cash flow hedges for the years ended December 31, 2016, 2015 and 2014 was as follows:

Cash Flow Hedges (in thousands)	After-Tax Amount of Gain (Loss) Recognized in OCI			Location of Gain (Loss)	After-Tax Amount of Gain (Loss) Reclassified from AOCI into Earnings		
	2016	2015	2014		2016	2015	2014
Commodity contracts	\$ 401	\$ (728)	\$ (881)	Total cost of revenue	\$ (550)	\$ (385)	\$ (59)
Foreign currency contracts	(6,344)	(2,532)	(1,270)	Total cost of revenue	(3,224)	(1,525)	269
Interest rate contracts				Interest expense	(1,049)	(1,049)	(1,049)

Edgar Filing: FLUOR CORP - Form 10-K

Total                    \$ (5,943) \$ (3,260) \$ (2,151)                    \$ (4,823) \$ (2,959) \$ (839)

F-34

---

Table of Contents**FLUOR CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

As of December 31, 2016, the company also had total gross notional amounts of \$0.1 million of foreign currency contracts and \$0.2 million of commodity contracts outstanding that were not designated as hedging instruments. These contracts primarily related to engineering and construction and operations and maintenance contract obligations denominated in nonfunctional currencies. A gain of less than \$0.1 million associated with these contracts was included in Cost of Revenues for the year ended December 31, 2016.

**8. Financing Arrangements**

As of December 31, 2016, the company had a combination of committed and uncommitted lines of credit that may be used for revolving loans and letters of credit. As of December 31, 2016, letters of credit and borrowings totaling \$1.7 billion were outstanding under these committed and uncommitted lines of credit. The committed lines of credit include a \$1.7 billion Revolving Loan and Letter of Credit Facility and a \$1.8 billion Revolving Loan and Letter of Credit Facility. Both facilities mature in February 2021. The company may utilize up to \$1.75 billion in the aggregate of the combined \$3.5 billion committed lines of credit for revolving loans, which may be used for acquisitions and/or general purposes. Each of the credit facilities may be increased up to an additional \$500 million subject to certain conditions, and contain customary financial and restrictive covenants, including a maximum ratio of consolidated debt to tangible net worth of one-to-one and a cap on the aggregate amount of debt of the greater of \$750 million or €750 million for the company's subsidiaries. Borrowings under both facilities, which may be denominated in USD, EUR, GBP or CAD, bear interest at rates based on the Eurodollar Rate or an alternative base rate, plus an applicable borrowing margin.

In connection with the Stork acquisition, the company assumed a €110 million Super Senior Revolving Credit Facility that bore interest at EURIBOR plus 3.75%. In April 2016, the company repaid and replaced the €110 million Super Senior Revolving Credit Facility with a €125 million Revolving Credit Facility which may be used for revolving loans, bank guarantees, letters of credit and to fund working capital in the ordinary course of business. This replacement facility expires in April 2017 and bears interest at EURIBOR plus .75%. The €125 million Revolving Credit Facility was included in committed lines of credit as of December 31, 2016. Outstanding borrowings under this facility amounted to €50 million (or approximately \$53 million) as of December 31, 2016.

Letters of credit are provided in the ordinary course of business primarily to indemnify the company's clients if the company fails to perform its obligations under its contracts. Surety bonds may be used as an alternative to letters of credit.

Consolidated debt consisted of the following:

(in thousands)	December 31,	
	2016	2015
<b>Current:</b>		
Revolving Credit Facility	\$ 52,735	\$
Other borrowings	29,508	
<b>Long-Term:</b>		
1.750% Senior Notes	\$ 523,629	\$
3.375% Senior Notes	496,011	495,165
3.5% Senior Notes	492,360	491,399
Other borrowings	5,949	

In March 2016, the company issued €500 million of 1.750% Senior Notes (the "2016 Notes") due March 21, 2023 and received proceeds of €497 million (or approximately \$551 million), net of underwriting

Table of Contents

**FLUOR CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

discounts. Interest on the 2016 Notes is payable annually on March 21 of each year, beginning on March 21, 2017. Prior to December 21, 2022, the company may redeem the 2016 Notes at a redemption price equal to 100 percent of the principal amount, plus a "make whole" premium described in the indenture. On or after December 21, 2022, the company may redeem the 2016 Notes at 100 percent of the principal amount plus accrued and unpaid interest, if any, to the date of redemption. Additionally, the company may redeem the 2016 Notes at any time upon the occurrence of certain changes in U.S. tax laws, as described in the indenture, at 100 percent of the principal amount plus accrued and unpaid interest, if any, to the date of redemption.

In November 2014, the company issued \$500 million of 3.5% Senior Notes (the "2014 Notes") due December 15, 2024 and received proceeds of \$491 million, net of underwriting discounts. Interest on the 2014 Notes is payable semi-annually on June 15 and December 15 of each year, and began on June 15, 2015. Prior to September 15, 2024, the company may redeem the 2014 Notes at a redemption price equal to 100 percent of the principal amount, plus a "make whole" premium described in the indenture. On or after September 15, 2024, the company may redeem the 2014 Notes at 100 percent of the principal amount plus accrued and unpaid interest, if any, to the date of redemption.

In September 2011, the company issued \$500 million of 3.375% Senior Notes (the "2011 Notes") due September 15, 2021 and received proceeds of \$492 million, net of underwriting discounts. Interest on the 2011 Notes is payable semi-annually on March 15 and September 15 of each year, and began on March 15, 2012. The company may, at any time, redeem the 2011 Notes at a redemption price equal to 100 percent of the principal amount, plus a "make whole" premium described in the indenture.

For the 2016 Notes, the 2014 Notes and the 2011 Notes, if a change of control triggering event occurs, as defined by the terms of the respective indentures, the company will be required to offer to purchase the applicable notes at a purchase price equal to 101 percent of their principal amount, plus accrued and unpaid interest, if any, to the date of redemption. The company is generally not limited under the indentures governing the 2016 Notes, the 2014 Notes and the 2011 Notes in its ability to incur additional indebtedness provided the company is in compliance with certain restrictive covenants, including restrictions on liens and restrictions on sale and leaseback transactions.

In conjunction with the acquisition of Stork on March 1, 2016, the company assumed Stork's outstanding debt obligations, including its 11.0% Super Senior Notes due 2017 (the "Stork Notes"), borrowings under the €110 million Super Senior Revolving Credit Facility, and other debt obligations. On March 2, 2016, the company gave notice to all holders of the Stork Notes of the full redemption of the outstanding €273 million (or approximately \$296 million) principal amount of Stork Notes plus a redemption premium of €7 million (or approximately \$8 million) effective March 17, 2016. The redemption of the Stork Notes was initially funded with additional borrowings under the company's \$1.7 billion Revolving Loan and Letter of Credit Facility, which borrowings were subsequently repaid from the net proceeds of the 2016 Notes. Certain other outstanding debt obligations assumed in the Stork acquisition of €20 million (or approximately \$22 million) were settled in March 2016. See Note 18 for a further discussion of the acquisition.

Other borrowings of \$35 million as of December 31, 2016 primarily represent bank loans and other financing arrangements assumed in conjunction with the acquisition of Stork, exclusive of the Stork Notes.

As of December 31, 2016, the company was in compliance with all of the financial covenants related to its debt agreements.

**9. Other Noncurrent Liabilities**

The company has deferred compensation and retirement arrangements for certain key executives which generally provide for payments upon retirement, death or termination of employment. The deferrals

Table of Contents

**FLUOR CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

can earn either market-based fixed or variable rates of return, at the option of the participants. As of December 31, 2016 and 2015, \$356 million and \$372 million, respectively, of obligations related to these plans were included in noncurrent liabilities. To fund these obligations, the company has established non-qualified trusts, which are classified as noncurrent assets. These trusts primarily hold company-owned life insurance policies, reported at cash surrender value, and marketable equity securities, reported at fair value. These trusts were valued at \$348 million and \$361 million as of December 31, 2016 and 2015, respectively. Periodic changes in value of these trust investments, most of which are unrealized, are recognized in earnings, and serve to mitigate changes to obligations included in noncurrent liabilities which are also reflected in earnings.

The company maintains appropriate levels of insurance for business risks, including workers compensation and general liability. Insurance coverages contain various retention amounts for which the company provides accruals based on the aggregate of the liability for reported claims and an actuarially determined estimated liability for claims incurred but not reported. Other noncurrent liabilities included \$65 million and \$26 million as of December 31, 2016 and 2015, respectively, relating to these liabilities. For certain professional liability risks the company's retention amount under its claims-made insurance policies does not include an accrual for claims incurred but not reported because there is insufficient claims history or other reliable basis to support an estimated liability. The company believes that retained professional liability amounts are manageable risks and are not expected to have a material adverse impact on results of operations or financial position.

**10. Stock-Based Plans**

The company's executive stock-based plans provide for grants of nonqualified or incentive stock options, restricted stock awards or units, stock appreciation rights and performance-based Value Driver Incentive ("VDI") units. All executive stock-based plans are administered by the Organization and Compensation Committee of the Board of Directors ("Committee") comprised of outside directors, none of whom are eligible to participate in the executive plans. Recorded compensation cost for stock-based payment arrangements, which is generally recognized on a straight-line basis, totaled \$28 million, \$36 million and \$45 million for the years ended December 31, 2016, 2015 and 2014, respectively, net of recognized tax benefits of \$17 million, \$21 million and \$27 million for the years ended 2016, 2015 and 2014, respectively.

Table of Contents**FLUOR CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The following table summarizes restricted stock, restricted stock unit and stock option activity:

	Restricted Stock or Restricted Stock Units		Stock Options	
	Number	Weighted Average Grant Date Fair Value Per Share	Number	Weighted Average Exercise Price Per Share
Outstanding as of December 31, 2013	977,766	\$ 57.36	2,964,707	\$ 58.63
Granted	370,014	79.06	684,486	79.19
Expired or canceled	(30,032)	69.17	(58,215)	73.33
Vested/exercised	(449,227)	57.08	(417,970)	57.67
Outstanding as of December 31, 2014	868,521	\$ 66.35	3,173,008	\$ 62.92
Granted	556,323	58.85	963,288	59.05
Expired or canceled	(30,484)	64.74	(118,356)	63.60
Vested/exercised	(456,052)	62.92	(46,414)	38.25
Outstanding as of December 31, 2015	938,308	\$ 63.62	3,971,526	\$ 62.25
Granted	553,415	46.50	662,001	46.07
Expired or canceled	(16,298)	54.26	(63,229)	50.25
Vested/exercised	(443,062)	64.55	(88,917)	41.13
Outstanding as of December 31, 2016	1,032,363	\$ 54.19	4,481,381	\$ 60.45
Options exercisable as of December 31, 2016			3,017,969	\$ 62.46
Remaining unvested options outstanding and expected to vest			1,419,510	\$ 56.30

As of December 31, 2016, there were a maximum of 7,374,485 shares available for future grant under the company's various stock-based plans. Shares available for future grant included shares which may be granted by the Committee as either stock options, on a share-for-share basis, or restricted stock awards, restricted stock units and VDI units on the basis of one share for each 2.25 available shares.

Restricted stock units and restricted shares issued under the plans provide that shares awarded may not be sold or otherwise transferred until service-based restrictions have lapsed and any performance objectives have been attained as established by the Committee. Restricted stock units are rights to receive shares subject to certain service and performance conditions as established by the Committee. Generally, upon termination of employment, restricted stock units and restricted shares which have not vested are forfeited. For the company's executives, the restricted units granted in 2016, 2015 and 2014 generally vest ratably over three years. For the company's directors, the restricted units and shares granted in 2016, 2015 and 2014 vest or vested on the first anniversary of the grant. For the years 2016, 2015 and 2014, recognized compensation expense of \$27 million, \$31 million and \$31 million, respectively, is included in corporate general and administrative expense related to restricted stock



## Edgar Filing: FLUOR CORP - Form 10-K

awards and units. The fair value of restricted stock units and shares that vested during 2016, 2015 and 2014 was \$22 million, \$26 million and \$35 million, respectively. The balance of unamortized restricted stock expense as of December 31, 2016 was \$11 million, which is expected to be recognized over a weighted-average period of 1.0 years.

Option grant amounts and award dates are established by the Committee. Option grant prices are the fair value of the company's common stock at such date of grant. Options normally extend for 10 years and

F-38

---

Table of Contents

## FLUOR CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

become exercisable over a vesting period determined by the Committee. The options granted in 2016, 2015 and 2014 vest ratably over three years. The aggregate intrinsic value, representing the difference between market value on the date of exercise and the option price, of stock options exercised during 2016, 2015 and 2014 was \$1 million, \$1 million and \$8 million, respectively. The balance of unamortized stock option expense as of December 31, 2016 was \$4 million, which is expected to be recognized over a weighted-average period of 1.2 years. Expense associated with stock options for the years ended December 31, 2016, 2015 and 2014, which is included in corporate general and administrative expense in the accompanying Consolidated Statement of Earnings, totaled \$10 million, \$15 million and \$17 million, respectively.

The fair value of options on the grant date and the significant assumptions used in the Black-Scholes option-pricing model are as follows:

	December 31,	
	2016	2015
Weighted average grant date fair value	\$ 12.55	\$ 16.72
Expected life of options (in years)	6.1	5.9
Risk-free interest rate	1.6%	1.7%
Expected volatility	32.4%	32.1%
Expected annual dividend per share	\$ 0.84	\$ 0.84

The computation of the expected volatility assumption used in the Black-Scholes calculations is based on a 50/50 blend of historical and implied volatility.

Information related to options outstanding as of December 31, 2016 is summarized below:

Range of Exercise Prices	Number Outstanding	Options Outstanding		Number Exercisable	Options Exercisable	
		Weighted Average Remaining Contractual Life (In Years)	Weighted Average Exercise Price Per Share		Weighted Average Remaining Contractual Life (In Years)	Weighted Average Exercise Price Per Share
\$30.46 - \$41.77	136,144	2.2	\$ 30.46	136,144	2.2	\$ 30.46
\$42.11 - \$62.50	3,131,826	6.8	56.17	1,880,754	5.6	58.67
\$68.36 - \$80.12	1,213,411	5.3	74.86	1,001,071	4.9	73.94
	4,481,381	6.3	\$ 60.45	3,017,969	5.2	\$ 62.46

As of December 31, 2016, options outstanding and options exercisable had an aggregate intrinsic value of approximately \$10 million and \$5 million, respectively.

Stock-based VDI units awarded under the plans include performance measures and are issued based on target award values. The number of units awarded is determined by dividing the applicable target award value by the closing price of the company's common stock on the date of grant. The number of units is adjusted at the end of each performance period based on the achievement of certain performance criteria. The VDI awards granted in 2016, 2015 and 2014 vest after a period of approximately three years. VDI awards granted during 2016 are also subject to a post-vest holding period restriction for the period of three years. The VDI awards granted in 2016 and 2015 can only be settled in company stock and are accounted for as equity awards in accordance with ASC 718. The VDI awards granted in 2014 may be settled in cash, based on the closing price of the company's common stock on the vesting date, or company stock. In accordance with ASC 718, the awards granted in 2014 were classified as liabilities and remeasured at fair value at the end of each reporting period until the awards are settled. Compensation expense of \$8 million, \$11 million and \$24 million related to stock-based VDI units is included in corporate general and administrative expense in 2016, 2015 and 2014, respectively, of which \$0.4 million was paid in 2016. The

Table of Contents

## FLUOR CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

balance of unamortized compensation expense associated with VDI units as of December 31, 2016 was \$3 million, which is expected to be recognized over a weighted-average period of less than one year.

**11. Earnings Per Share**

Basic EPS is calculated by dividing net earnings attributable to Fluor Corporation by the weighted average number of common shares outstanding during the period. Potentially dilutive securities include employee stock options, restricted stock units and shares, VDI units and the 1.5% Convertible Senior Notes (in 2015 and 2014). Diluted EPS reflects the assumed exercise or conversion of all dilutive securities using the treasury stock method.

The calculations of the basic and diluted EPS for the years ended December 31, 2016, 2015 and 2014 under the treasury stock method are presented below:

(in thousands, except per share amounts)	Year Ended December 31,		
	2016	2015	2014
<b>Amounts attributable to Fluor Corporation:</b>			
Earnings from continuing operations	\$ 281,401	\$ 418,170	\$ 715,460
Loss from discontinued operations, net of taxes		(5,658)	(204,551)
Net earnings	\$ 281,401	\$ 412,512	\$ 510,909
<b>Basic EPS attributable to Fluor Corporation:</b>			
Weighted average common shares outstanding	139,171	144,805	157,487
Earnings from continuing operations	\$ 2.02	\$ 2.89	\$ 4.54
Loss from discontinued operations, net of taxes		(0.04)	(1.30)
Net earnings	\$ 2.02	\$ 2.85	\$ 3.24
<b>Diluted EPS attributable to Fluor Corporation:</b>			
Weighted average common shares outstanding	139,171	144,805	157,487
<b>Diluted effect:</b>			
Employee stock options, restricted stock units and shares and VDI units	1,741	1,827	1,719
Conversion equivalent of dilutive convertible debt		90	410
Weighted average diluted shares outstanding	140,912	146,722	159,616
Earnings from continuing operations	\$ 2.00	\$ 2.85	\$ 4.48
Loss from discontinued operations, net of taxes		(0.04)	(1.28)
Net earnings	\$ 2.00	\$ 2.81	\$ 3.20
Anti-dilutive securities not included above	3,843	3,408	769

During the years ended December 31, 2016, 2015 and 2014, the company repurchased and canceled 202,650; 10,104,988; and 13,331,402 shares of its common stock, respectively, under its stock repurchase program for \$10 million, \$510 million, and \$906 million, respectively.



Table of Contents**FLUOR CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****12. Lease Obligations**

Net rental expense amounted to approximately \$152 million, \$169 million and \$218 million in the years ended December 31, 2016, 2015 and 2014, respectively. The company's lease obligations relate primarily to office facilities, equipment used in connection with long-term construction contracts and other personal property. Net rental expense in 2016 was lower compared to 2015, primarily due to a decrease in rental equipment and facilities required to support project execution activities in the Energy, Chemicals & Mining segment. Net rental expense in 2015 was lower compared to 2014, primarily due to a decrease in rental equipment and facilities required to support project execution activities in the mining and metals business line of the Energy, Chemicals & Mining segment as well as the Government segment.

The company's obligations for minimum rentals under non-cancelable operating leases are as follows:

Year Ended December 31,	(in thousands)
2017	\$ 80,600
2018	63,100
2019	50,200
2020	40,500
2021	29,900
Thereafter	73,200

During 2015, the company sold two office buildings located in California for net proceeds of \$82 million and subsequently entered into a twelve year lease with the purchaser. The resulting gain on the sale of the property was approximately \$58 million, of which \$7 million was recognized during the fourth quarter of 2015 and \$4 million was recognized during 2016. These gains were included in corporate general and administrative expense in the Consolidated Statement of Earnings. The remaining deferred gain of approximately \$47 million will be amortized over the remaining life of the lease on a straight-line basis.

**13. Noncontrolling Interests**

The company applies the provisions of ASC 810-10-45, which establishes accounting and reporting standards for ownership interests in subsidiaries held by parties other than the parent, the amount of consolidated net earnings attributable to the parent and to the noncontrolling interests, changes in a parent's ownership interest and the valuation of retained noncontrolling equity investments when a subsidiary is deconsolidated.

As required by ASC 810-10-45, the company has separately disclosed on the face of the Consolidated Statement of Earnings for all periods presented the amount of net earnings attributable to the company and the amount of net earnings attributable to noncontrolling interests. For the years ended December 31, 2016, 2015 and 2014, net earnings attributable to noncontrolling interests were \$46 million, \$62 million and \$137 million, respectively. Income taxes associated with earnings attributable to noncontrolling interests were immaterial in all periods presented. Distributions paid to noncontrolling interests were \$58 million, \$59 million and \$138 million for the years ended December 31, 2016, 2015 and 2014, respectively. Capital contributions by noncontrolling interests were \$9 million, \$5 million and \$3 million for the years ended December 31, 2016, 2015 and 2014, respectively.

**14. Contingencies and Commitments**

The company and certain of its subsidiaries are subject to litigation, claims and other commitments and contingencies arising in the ordinary course of business. Although the asserted value of these matters may be significant, the company currently does not expect that the ultimate resolution of any open matters will have a material adverse effect on its consolidated financial position or results of operations.

Table of Contents

**FLUOR CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Fluor Australia Ltd., a wholly-owned subsidiary of the company ("Fluor Australia"), completed a cost reimbursable engineering, procurement and construction management services for Santos Ltd. ("Santos") on a large network of natural gas gathering and processing facilities in Queensland, Australia. On December 13, 2016, Santos filed an action in Queensland Supreme Court against Fluor Australia, asserting various causes of action and seeking damages of approximately AUD \$1.47 billion. The company believes that the claims asserted by Santos are without merit and is vigorously defending these claims. Based upon the present status of this matter, the company does not believe it is probable that a loss will be incurred. Accordingly, the company has not recorded a charge as a result of this action.

*Other Matters*

The company has made claims arising from the performance under its contracts. The company recognizes revenue, but not profit, for certain claims (including change orders in dispute and unapproved change orders in regard to both scope and price) when it is determined that recovery of incurred costs is probable and the amounts can be reliably estimated. Under claims accounting (ASC 605-35-25), these requirements are satisfied when (a) the contract or other evidence provides a legal basis for the claim, (b) additional costs were caused by circumstances that were unforeseen at the contract date and not the result of deficiencies in the company's performance, (c) claim-related costs are identifiable and considered reasonable in view of the work performed, and (d) evidence supporting the claim is objective and verifiable. Similarly, the company recognizes disputed back charges to suppliers or subcontractors as a reduction of cost when the same requirements have been satisfied. The company periodically evaluates its positions and amounts recognized with respect to all its claims and back charges. As of December 31, 2016 and 2015, the company had recorded \$61 million and \$30 million, respectively, of claim revenue for costs incurred to date and such costs are included in contract work in progress. Additional costs, which will increase the claim revenue balance over time, are expected to be incurred in future periods. The company had also recorded disputed back charges totaling \$41 million as of December 31, 2016. The company believes the ultimate recovery of amounts related to these claims and back charges is probable in accordance with ASC 605-35-25.

From time to time, the company enters into significant contracts with the U.S. government and its agencies. Government contracts are subject to audits and investigations by government representatives with respect to the company's compliance with various restrictions and regulations applicable to government contractors, including but not limited to the allowability of costs incurred under reimbursable contracts. In connection with performing government contracts, the company maintains reserves for estimated exposures associated with these matters.

The company's operations are subject to and affected by federal, state and local laws and regulations regarding the protection of the environment. The company maintains reserves for potential future environmental cost where such obligations are either known or considered probable, and can be reasonably estimated. The company believes, based upon present information available to it, that its reserves with respect to future environmental cost are adequate and such future cost will not have a material effect on the company's consolidated financial position, results of operations or liquidity.

**15. Guarantees**

In the ordinary course of business, the company enters into various agreements providing performance assurances and guarantees to clients on behalf of certain unconsolidated and consolidated partnerships, joint ventures and other jointly executed contracts. These agreements are entered into primarily to support the project execution commitments of these entities. The performance guarantees have various expiration dates ranging from mechanical completion of the project being constructed to a period extending beyond contract completion in certain circumstances. The maximum potential amount of future payments that the company could be required to make under outstanding performance guarantees,

Table of Contents**FLUOR CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

which represents the remaining cost of work to be performed by or on behalf of third parties under engineering and construction contracts, was estimated to be \$16 billion as of December 31, 2016. Amounts that may be required to be paid in excess of estimated cost to complete contracts in progress are not estimable. For cost reimbursable contracts, amounts that may become payable pursuant to guarantee provisions are normally recoverable from the client for work performed under the contract. For lump-sum or fixed-price contracts, the performance guarantee amount is the cost to complete the contracted work, less amounts remaining to be billed to the client under the contract. Remaining billable amounts could be greater or less than the cost to complete. In those cases where costs exceed the remaining amounts payable under the contract, the company may have recourse to third parties, such as owners, co-venturers, subcontractors or vendors for claims. The company assessed its performance guarantee obligation as of December 31, 2016 and 2015 in accordance with ASC 460, "Guarantees," and the carrying value of the liability was not material.

Financial guarantees, made in the ordinary course of business in certain limited circumstances, are entered into with financial institutions and other credit grantors and generally obligate the company to make payment in the event of a default by the borrower. These arrangements generally require the borrower to pledge collateral to support the fulfillment of the borrower's obligation.

**16. Partnerships and Joint Ventures**

In the normal course of business, the company forms partnerships or joint ventures primarily for the execution of single contracts or projects. The majority of these partnerships or joint ventures are characterized by a 50 percent or less, noncontrolling ownership or participation interest, with decision making and distribution of expected gains and losses typically being proportionate to the ownership or participation interest. Many of the partnership and joint venture agreements provide for capital calls to fund operations, as necessary. Receivables related to work performed for unconsolidated partnerships and joint ventures included in "Accounts and notes receivable, net" in the Consolidated Balance Sheet were \$392 million and \$132 million as of December 31, 2016 and 2015, respectively. The increase in this receivable balance in 2016 resulted primarily from one Energy, Chemicals & Mining joint venture project in the United States.

For unconsolidated partnerships and joint ventures in the construction industry, the company generally recognizes its proportionate share of revenue, cost and profit in its Consolidated Statement of Earnings and uses the one-line equity method of accounting on the Consolidated Balance Sheet, which is a common application of ASC 810-10-45-14 in the construction industry. The equity method of accounting is also used for other investments in entities where the company has significant influence. The company's investments in unconsolidated partnerships and joint ventures accounted for under these methods amounted to \$454 million and \$292 million as of December 31, 2016 and 2015, respectively, and were classified under "Investments" and "Other accrued liabilities" on the Consolidated Balance Sheet. The following is a summary of aggregate, unaudited balance sheet data for these unconsolidated partnerships and joint ventures where the company's investment is presented as a one-line equity method investment: As of December 31, 2016, current assets of \$3.5 billion, noncurrent assets of \$1.3 billion, current liabilities of \$3.0 billion and noncurrent liabilities of \$628 million; as of December 31, 2015, current assets of \$3.2 billion, noncurrent assets of \$444 million, current liabilities of \$2.5 billion and noncurrent liabilities of \$445 million. Additionally, the following is a summary of aggregate, unaudited income statement data for unconsolidated partnerships and joint ventures where the equity method of accounting is used to recognize the company's share of net earnings or losses of investees: Revenue of \$1.6 billion, \$961 million and \$879 million for 2016, 2015 and 2014, respectively; cost of revenue of \$1.5 billion, \$926 million and \$822 million for 2016, 2015 and 2014, respectively; net earnings of \$30 million for 2016, net earnings of \$14 million for 2015 and net loss of \$8 million for 2014.

Table of Contents**FLUOR CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

In February 2016, the company made an initial cash investment of \$350 million in COOEC Fluor Heavy Industries Co., Ltd. ("CFHI"), a joint venture in which the company has a 49% ownership interest and Offshore Oil Engineering Co., Ltd., a subsidiary of China National Offshore Oil Corporation, has 51% ownership interest. Through CFHI, the two companies own, operate and manage the Zhuhai Fabrication Yard in China's Guangdong province. An additional investment of \$62 million was made in the third quarter of 2016 and another \$78 million is expected to be made in September 2017.

*Variable Interest Entities*

In accordance with ASC 810, "Consolidation," the company assesses its partnerships and joint ventures at inception to determine if any meet the qualifications of a VIE. The company considers a partnership or joint venture a VIE if either (a) the total equity investment is not sufficient to permit the entity to finance its activities without additional subordinated financial support, (b) characteristics of a controlling financial interest are missing (either the ability to make decisions through voting or other rights, the obligation to absorb the expected losses of the entity or the right to receive the expected residual returns of the entity), or (c) the voting rights of the equity holders are not proportional to their obligations to absorb the expected losses of the entity and/or their rights to receive the expected residual returns of the entity, and substantially all of the entity's activities either involve or are conducted on behalf of an investor that has disproportionately few voting rights. Upon the occurrence of certain events outlined in ASC 810, the company reassesses its initial determination of whether the partnership or joint venture is a VIE. The majority of the company's partnerships and joint ventures qualify as VIEs because the total equity investment is typically nominal and not sufficient to permit the entity to finance its activities without additional subordinated financial support.

The company also performs a qualitative assessment of each VIE to determine if the company is its primary beneficiary, as required by ASC 810. The company concludes that it is the primary beneficiary and consolidates the VIE if the company has both (a) the power to direct the economically significant activities of the entity and (b) the obligation to absorb losses of, or the right to receive benefits from, the entity that could potentially be significant to the VIE. The company considers the contractual agreements that define the ownership structure, distribution of profits and losses, risks, responsibilities, indebtedness, voting rights and board representation of the respective parties in determining if the company is the primary beneficiary. The company also considers all parties that have direct or implicit variable interests when determining whether it is the primary beneficiary. As required by ASC 810, management's assessment of whether the company is the primary beneficiary of a VIE is continuously performed.

The net carrying value of the unconsolidated VIEs classified under "Investments" and "Other accrued liabilities" on the Consolidated Balance Sheet was a net liability of \$9 million as of December 31, 2016 and a net asset of \$208 million as of December 31, 2015. The decrease in net carrying value primarily resulted from charges related to forecast revisions for estimated cost increases on an Energy, Chemicals & Mining joint venture project. Some of the company's VIEs have debt; however, such debt is typically non-recourse in nature. The company's maximum exposure to loss as a result of its investments in unconsolidated VIEs is typically limited to the aggregate of the carrying value of the investment and future funding commitments. Future funding commitments as of December 31, 2016 for the unconsolidated VIEs were \$42 million.

In some cases, the company is required to consolidate certain VIEs. As of December 31, 2016, the carrying values of the assets and liabilities associated with the operations of the consolidated VIEs were \$959 million and \$566 million, respectively. As of December 31, 2015, the carrying values of the assets and liabilities associated with the operations of the consolidated VIEs were \$863 million and \$443 million, respectively. The assets of a VIE are restricted for use only for the particular VIE and are not available for general operations of the company.



Table of Contents

**FLUOR CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The company has agreements with certain VIEs to provide financial or performance assurances to clients as discussed in Note 15. Below is a discussion of some of the company's more significant or unique VIEs and related accounting considerations.

*Eagle P3 Commuter Rail Project*

In August 2010, the company was awarded its \$1.7 billion share of the Eagle P3 Commuter Rail Project in the Denver metropolitan area. The project is a public-private partnership between the Regional Transportation District in Denver, Colorado ("RTD") and Denver Transit Partners ("DTP"), a wholly-owned subsidiary of Denver Transit Holdings, LLC ("DTH"), a joint venture in which the company has a 10 percent interest, with two additional partners each owning a 45 percent interest. Under the agreement, RTD owns and oversees the addition of railways, facilities and rolling stock for three new commuter and light rail corridors in the Denver metropolitan area. RTD is funding the construction of the railways and facilities through the issuance of \$398 million of private activity bonds, as well as from various other sources, including federal grants. RTD advanced the proceeds of the private activity bonds to DTP as a loan that is non-recourse to the company and will be repaid to RTD over the life of the concession agreement. DTP, as concessionaire, will design, build, finance, operate and maintain the railways, facilities and rolling stock under a 35-year concession agreement. The company has determined that DTH is a VIE for which the company is not the primary beneficiary. DTH is accounted for under the equity method of accounting. The company's maximum exposure to loss relating to its investments in DTH is limited to the carrying value of its investment of \$8 million.

The construction of the railways and facilities, which is nearing completion, is being performed through subcontract arrangements by Denver Transit Systems ("DTS") and Denver Transit Constructors ("DTC"), construction joint ventures in which the company has an ownership interest of 50 percent and 40 percent, respectively. The company has determined that DTS and DTC are VIEs for which the company is the primary beneficiary. Therefore, the company consolidates the accounts of DTS and DTC in its financial statements. For the years ended December 31, 2016, 2015 and 2014, the company's results of operations included revenue of \$138 million, \$251 million and \$361 million, respectively, from DTH. As of December 31, 2016, the combined carrying values of the assets and liabilities of DTS and DTC were \$90 million and \$71 million, respectively. As of December 31, 2015, the combined carrying values of the assets and liabilities of DTS and DTC were \$96 million and \$42 million, respectively. The company has provided certain performance guarantees on behalf of DTS.

**17. Operations by Business Segment and Geographic Area**

The company provides professional services in the fields of engineering, procurement, construction, fabrication and modularization, commissioning and maintenance, as well as project management services, on a global basis and serves a diverse set of industries worldwide.

During the first quarter of 2016, the company changed the composition of its reportable segments to better reflect the diverse end markets that the company serves. The company now reports its operating results in four reportable segments as follows: Energy, Chemicals & Mining; Industrial, Infrastructure & Power; Government; and Maintenance, Modification & Asset Integrity. Segment operating information and assets for 2015 and 2014 have been recast to reflect these changes.

The Energy, Chemicals & Mining segment is the company's commodity-related segment which focuses on opportunities in the upstream, downstream, chemical, petrochemical, offshore and onshore oil and gas production, liquefied natural gas, pipeline, metals and mining markets. This segment has long served a broad spectrum of commodity-based industries as an integrated solutions provider offering a full range of design, engineering, procurement, construction, fabrication and project management services. The revenue of a single customer and its affiliates of the Energy, Chemicals & Mining segment amounted

Table of Contents

**FLUOR CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

to 10 percent, 11 percent and 15 percent of the company's consolidated revenue during the years ended December 31, 2016, 2015 and 2014, respectively.

The Industrial, Infrastructure & Power segment provides design, engineering, procurement, construction and project management services to the transportation, life sciences, advanced manufacturing, water and power sectors. The Industrial, Infrastructure & Power segment includes the operations of NuScale Power, LLC, an Oregon-based small modular nuclear reactor technology company, which is managed as a separate operating segment within the Industrial, Infrastructure & Power segment.

The Government segment provides engineering, construction, logistics, base and facilities operations and maintenance, contingency response and environmental and nuclear services to the U.S. government and governments abroad. The percentage of the company's consolidated revenue from work performed for various agencies of the U.S. government was 13 percent, 12 percent and 11 percent during the years ended December 31, 2016, 2015 and 2014, respectively.

The Maintenance, Modification & Asset Integrity segment is comprised of several operating segments that do not meet the requirement under ASC 280, "Segment Reporting," for separate disclosure, and therefore, have been combined under the aggregation criteria of ASC 280. The Maintenance, Modification & Asset Integrity segment provides facility start-up and management, plant and facility maintenance, operations support and asset management services to the oil and gas, chemicals, life sciences, mining and metals, consumer products and manufacturing industries. The Maintenance, Modification & Asset Integrity segment includes the operations of the company's equipment business, temporary staffing, power services, as well as the recently acquired Stork business.

The reportable segments follow the same accounting policies as those described in Major Accounting Policies. Management evaluates a segment's performance based upon segment profit. The company incurs cost and expenses and holds certain assets at the corporate level which relate to its business as a whole. Certain of these amounts have been charged to the company's business segments by various methods, largely on the basis of usage. Total assets not allocated to segments and held in "Corporate and other" primarily include cash, marketable securities, income-tax related assets, pension assets, deferred compensation trust assets and corporate property, plant and equipment.

Segment profit is an earnings measure that the company utilizes to evaluate and manage its business performance. Segment profit is calculated as revenue less cost of revenue and earnings attributable to noncontrolling interests excluding: corporate general and administrative expense; interest expense; interest income; domestic and foreign income taxes; other non-operating income and expense items; and loss from discontinued operations.

Table of Contents

## FLUOR CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## Operating Information by Segment

(in millions)	Year Ended December 31,		
	2016	2015	2014
<b>External revenue</b>			
Energy, Chemicals & Mining	\$ 9,754.2	\$ 11,865.4	\$ 14,563.0
Industrial, Infrastructure & Power	4,094.5	2,264.0	2,854.8
Government	2,720.0	2,557.4	2,511.9
Maintenance, Modification & Asset Integrity	2,467.8	1,427.2	1,601.9
<b>Total external revenue</b>	<b>\$ 19,036.5</b>	<b>\$ 18,114.0</b>	<b>\$ 21,531.6</b>
<b>Segment profit (loss)</b>			
Energy, Chemicals & Mining	\$ 401.5	\$ 866.6	\$ 869.2
Industrial, Infrastructure & Power	135.8	(44.9)	147.5
Government	85.1	83.1	92.7
Maintenance, Modification & Asset Integrity	121.9	127.4	153.0
<b>Total segment profit</b>	<b>\$ 744.3</b>	<b>\$ 1,032.2</b>	<b>\$ 1,262.4</b>
<b>Depreciation and amortization of fixed assets</b>			
Energy, Chemicals & Mining	\$	\$	\$
Industrial, Infrastructure & Power	3.9	4.0	4.2
Government	2.3	3.2	5.4
Maintenance, Modification & Asset Integrity	139.5	113.4	111.8
Corporate and other	65.4	68.1	70.3
<b>Total depreciation and amortization of fixed assets</b>	<b>\$ 211.1</b>	<b>\$ 188.7</b>	<b>\$ 191.7</b>
<b>Capital expenditures</b>			
Energy, Chemicals & Mining	\$	\$	\$
Industrial, Infrastructure & Power	2.2	6.1	10.4
Government	2.1	3.9	2.2
Maintenance, Modification & Asset Integrity	153.1	158.9	224.0
Corporate and other	78.5	71.3	88.1
<b>Total capital expenditures</b>	<b>\$ 235.9</b>	<b>\$ 240.2</b>	<b>\$ 324.7</b>
<b>Total assets</b>			
Energy, Chemicals & Mining	\$ 2,348.0	\$ 1,728.0	
Industrial, Infrastructure & Power	750.1	544.2	
Government	493.7	495.4	
Maintenance, Modification & Asset Integrity	1,952.7	923.8	
Corporate and other	3,671.9	3,934.0	

Edgar Filing: FLUOR CORP - Form 10-K

Total assets	\$	9,216.4	\$	7,625.4
Goodwill				
Energy, Chemicals & Mining	\$	15.5	\$	15.5
Industrial, Infrastructure & Power		13.6		13.8
Government		58.0		58.0
Maintenance, Modification & Asset Integrity		445.1		24.3
Total goodwill	\$	532.2	\$	111.6

*Energy, Chemicals & Mining.* Segment profit for 2016 was adversely affected by pre-tax charges totaling \$265 million (or \$1.20 per diluted share) related to forecast revisions for estimated cost increases on a petrochemicals project in the United States. The increase in total assets in the Energy, Chemicals & Mining segment resulted from the company's investment in CFHI and increased working capital in support of project execution activities.

F-47

---

Table of Contents**FLUOR CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

*Industrial, Infrastructure & Power.* Segment profit for 2015 included a loss of \$60 million (or \$0.26 per diluted share) resulting from forecast revisions for a large gas-fired power plant in Brunswick County, Virginia. Segment profit for all periods included the operations of NuScale, which are primarily for research and development activities associated with the licensing and commercialization of small modular nuclear reactor technology. NuScale expenses included in the determination of segment profit were \$92 million, \$80 million and \$46 million during 2016, 2015 and 2014, respectively. NuScale expenses for 2016, 2015 and 2014 were reported net of qualified reimbursable expenses of \$57 million, \$65 million and \$38 million, respectively. (See Note 1 for a further discussion of the cooperative agreement between NuScale and the DOE.) The increase in total assets in the Industrial, Infrastructure & Power segment resulted from increased working capital in support of project execution activities.

*Maintenance, Modification & Asset Integrity.* During 2016, 2015 and 2014, intercompany revenue for the Maintenance, Modification & Asset Integrity segment, excluded from the amounts shown above, was \$524 million, \$439 million and \$531 million, respectively. The increase in revenue and total assets, including goodwill, in the Maintenance, Modification & Asset Integrity resulted from the company's acquisition of Stork.

**Reconciliation of Total Segment Profit to Earnings from Continuing Operations Before Taxes**

(in millions)	Year Ended December 31,		
	2016	2015	2014
Total segment profit	\$ 744.3	\$ 1,032.2	\$ 1,262.4
Gain related to a partial sale of a subsidiary		68.2	
Pension settlement charge		(239.9)	
Corporate general and administrative expense	(191.1)	(168.3)	(182.7)
Interest income (expense), net	(52.6)	(28.1)	(11.4)
Earnings attributable to noncontrolling interests	46.0	62.5	136.6
Earnings from continuing operations before taxes	\$ 546.6	\$ 726.6	\$ 1,204.9

*Corporate general and administrative expense.* Corporate general and administrative expense in 2016 included transaction and integration costs associated with the Stork acquisition of \$25 million, organizational realignment expenses (primarily severance and facility exit costs) of \$38 million and foreign currency exchange gains of \$35 million.

Table of Contents**FLUOR CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Operating Information by Geographic Area**

Engineering services for international projects are often performed within the United States or a country other than where the project is located. Revenue associated with these services has been classified within the geographic area where the work was performed.

(in millions)	External Revenue Year Ended December 31,			Total Assets As of December 31,	
	2016	2015	2014	2016	2015
United States	\$ 9,891.9	\$ 7,857.3	\$ 7,466.2	\$ 4,842.4	\$ 4,306.0
Canada	2,170.1	2,459.3	4,133.3	749.5	800.9
Asia Pacific (includes Australia)	1,010.2	870.4	2,568.0	645.8	541.2
Europe	3,372.1	2,509.2	2,070.1	2,103.7	1,364.6
Central and South America	1,006.2	2,560.4	2,494.8	499.7	251.7
Middle East and Africa	1,586.0	1,857.4	2,799.2	375.3	361.0
<b>Total</b>	<b>\$ 19,036.5</b>	<b>\$ 18,114.0</b>	<b>\$ 21,531.6</b>	<b>\$ 9,216.4</b>	<b>\$ 7,625.4</b>

**Non-Operating (Income) Expense**

Non-operating expenses (net of income) of \$1 million were included in corporate general and administrative expense in 2016. Non-operating income of \$7 million was included in corporate general and administrative expense in 2015. There were no non-operating expenses during 2014.

**18. Acquisitions of Stork Holding B.V.**

On March 1, 2016 ("the acquisition date"), the company acquired 100 percent of Stork for an aggregate purchase price of €695 million (or approximately \$756 million), including the assumption of debt and other liabilities. Stork, based in the Netherlands, is a global provider of maintenance, modification and asset integrity services associated with large existing industrial facilities in the oil and gas, chemicals, petrochemicals, industrial and power markets. The company paid €276 million (or approximately \$300 million) in cash consideration. The company borrowed €200 million (or approximately \$217 million) under its \$1.7 billion Revolving Loan and Letter of Credit Facility, and paid €76 million (or approximately \$83 million) of cash on hand to initially finance the Stork acquisition. The €200 million borrowed under the \$1.7 billion Revolving Loan and Letter of Credit Facility was subsequently repaid from the net proceeds of the 2016 Notes as discussed in Note 8.

In conjunction with the acquisition, the company assumed Stork's outstanding debt obligations, including the Stork Notes, borrowings under a €110 million Super Senior Revolving Credit Facility, and other debt obligations. On March 2, 2016, the company gave notice to all holders of the Stork Notes of the full redemption of the outstanding €273 million (or approximately \$296 million) principal amount of Stork Notes plus a redemption premium of €7 million (or approximately \$8 million) effective March 17, 2016. The redemption of the Stork Notes was initially funded with additional borrowings under the company's \$1.7 billion Revolving Loan and Letter of Credit Facility, which borrowings were subsequently repaid from the net proceeds of the 2016 Notes. Certain other outstanding debt obligations assumed in the Stork acquisition of €20 million (or approximately \$22 million) were settled in March 2016. In April 2016, the company repaid and replaced the €110 million Super Senior Revolving Credit Facility with a €125 million Revolving Credit Facility that is available to fund working capital in the ordinary course of business. This replacement facility expires in April 2017 and bears interest at EURIBOR plus .75%.

The aggregate purchase price noted above has been allocated to the major categories of assets acquired and liabilities assumed based upon their estimated fair values as of the acquisition date. The

Table of Contents

**FLUOR CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

excess of the purchase price over the estimated fair value of the net tangible and identifiable intangible assets acquired, totaling €384 million (or approximately \$417 million), has been recorded as goodwill.

The company has made certain changes to the purchase price allocation since the initial estimates reported in the first quarter of 2016. These changes primarily relate to the following:

Identifiable intangible assets, which were originally aggregated with goodwill, have been separately reported at their estimated fair value of €171 million (or approximately \$186 million).

Deferred tax assets decreased by €2 million (or approximately \$2 million) primarily to record the deferred tax impact of valuation adjustments associated with identifiable intangible assets.

Property, plant and equipment increased by €11 million (or approximately \$12 million) to reflect its estimated fair value.

Additional fair value adjustments, primarily related to contracts, and certain balance sheet reclassifications have been made to other assets and liabilities resulting in a net decrease of €32 million (or approximately \$35 million) to net assets acquired. These adjustments did not materially affect any individual asset or liability account.

Goodwill decreased by €148 million (or approximately \$161 million) to reflect all of the changes to the purchase price allocation noted above.

Adjustments to the Consolidated Statement of Earnings for 2016 related to the income effects that would have been recognized in previous periods if the adjustments to provisional amounts were recognized as of the acquisition date were not significant.

The fair value of acquired intangible assets, which consisted primarily of customer relationships and trade names, as well as below market contracts and leases were determined using income-based approaches that utilized unobservable Level 3 inputs, including significant management assumptions such as forecasted revenue and operating margins, customer attrition, and weighted average cost of capital. Customer relationships are being amortized on a straight-line basis over their estimated useful lives of 8 years. Acquired trade names with finite lives are being amortized on a straight-line basis over their estimated useful lives, ranging from 2 to 15 years. Trade names with indefinite lives are not amortized, but are subject to annual impairment testing (See Note 1).

The fair value of property, plant and equipment was determined using a cost-based approach that considers the estimated reproductive cost of the assets adjusted for depreciation factors, which include physical deterioration and functional or economic obsolescence. This approach uses Level 3 inputs that are generally unobservable in the marketplace. A market-based approach was also applied as a secondary method to estimate the fair value of certain assets. The market-based approach utilized observable Level 2 inputs for similar assets in active markets.

Goodwill represents the excess of the purchase price over the fair value of the underlying net assets acquired. Factors contributing to the goodwill balance include the acquired established workforce and the estimated future synergies associated with the combined operations. Of the total goodwill recorded in conjunction with the Stork acquisition, none is expected to be deductible for tax purposes. The goodwill recognized in conjunction with the Stork acquisition has been reported in the Maintenance, Modification & Asset Integrity segment.

Table of Contents**FLUOR CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The following table summarizes the fair values of assets acquired and liabilities assumed as of the acquisition date:

(in thousands)	In EUR	In USD
Cash and cash equivalents	€ 54,441	\$ 59,204
Accounts and notes receivable	167,894	182,585
Contract work in process	96,667	105,125
Other current assets	51,065	55,533
Property, plant and equipment	162,525	176,746
Investments	1,487	1,617
Intangible assets	171,000	185,963
Goodwill	383,734	417,310
Deferred taxes, net	9,867	10,730
Other assets	900	979
Trade accounts payable	(113,898)	(123,864)
Advance billings on contracts	(21,364)	(23,234)
Other accrued liabilities	(205,034)	(222,975)
Revolving credit facility and other borrowings	(400,228)	(435,248)
Long-term debt	(15,295)	(16,633)
Noncurrent liabilities	(65,001)	(70,689)
Noncontrolling interests	(2,947)	(3,205)
Net assets acquired	€ 275,813	\$ 299,944

Since the acquisition date, revenue and earnings from Stork of \$1.2 billion and \$10 million, respectively, for the year ended December 31, 2016 have been included in the Consolidated Statement of Earnings. Integration costs of \$14 million and transaction costs of \$11 million were included in corporate general and administrative expense for the year ended December 31, 2016.

The following pro forma financial information reflects the Stork acquisition as if it had occurred on January 1, 2015 and includes adjustments for debt refinancing and transaction costs.

(in thousands)	Year Ended December 31,	
	2016	2015
Pro forma revenue	\$ 19,262,991	\$ 19,786,167
Pro forma net earnings attributable to Fluor Corporation	283,705	413,040

**19. Partial Sale of a Subsidiary**

On September 30, 2015, the company sold 50% of its ownership of Fluor S.A., its principal Spanish operating subsidiary, to Sacyr Industrial, S.L.U. for a cash purchase price of approximately \$46 million, subject to certain purchase price adjustments. The company deconsolidated the subsidiary and recorded a pre-tax non-operating gain of \$68 million during the third quarter of 2015, which was determined based on the sum of the proceeds received on the sale and the estimated fair value of the company's retained 50% noncontrolling interest, less the carrying value of the net assets associated with the former subsidiary. The estimated fair value of the company's retained noncontrolling interest was \$44 million as of the transaction date. The fair value was estimated using a combination of income-based and market-based valuation approaches utilizing unobservable Level 3 inputs, including significant management assumptions such as forecasted revenue and operating margins, weighted average cost of capital and earnings multiples. Observable inputs, such as the cash consideration received for the divested share of the entity, were also considered.





Table of Contents

## FLUOR CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 20. Quarterly Financial Data (Unaudited)

The following is a summary of the quarterly results of operations:

(in millions, except per share amounts)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
<b>Year ended December 31, 2016</b>				
Revenue	\$ 4,423.9	\$ 4,856.1	\$ 4,766.9	\$ 4,989.6
Cost of revenue	4,168.1	4,607.9	4,729.7	4,740.5
Earnings (loss) from continuing operations before taxes	189.2	181.4	(2.7)	178.7
Earnings from continuing operations	119.0	120.0	17.4	71.0
Loss from discontinued operations, net of taxes				
Net earnings	119.0	120.0	17.4	71.0
Net earnings attributable to Fluor Corporation	104.3	101.8	4.8	70.5
Basic earnings per share attributable to Fluor Corporation:				
Earnings from continuing operations	\$ 0.75	\$ 0.73	\$ 0.03	\$ 0.51
Loss from discontinued operations, net of taxes				
Net earnings	0.75	0.73	0.03	0.51
Diluted earnings per share attributable to Fluor Corporation:				
Earnings from continuing operations	0.74	0.72	0.03	0.50
Loss from discontinued operations, net of taxes				
Net earnings	0.74	0.72	0.03	0.50
<b>Year ended December 31, 2015</b>				
Revenue	\$ 4,548.6	\$ 4,810.1	\$ 4,384.6	\$ 4,370.7
Cost of revenue	4,251.2	4,516.1	4,133.8	4,118.3
Earnings (loss) from continuing operations before taxes	248.9	238.8	278.2	(39.3)
Earnings (loss) from continuing operations	165.6	160.7	186.8	(32.4)
Loss from discontinued operations, net of taxes			(5.1)	(0.6)
Net earnings (loss)	165.6	160.7	181.7	(33.0)
Net earnings (loss) attributable to Fluor Corporation	144.1	148.5	171.3	(51.4)
Basic earnings (loss) per share attributable to Fluor Corporation:				
Earnings (loss) from continuing operations	\$ 0.98	\$ 1.02	\$ 1.22	\$ (0.36)
Loss from discontinued operations, net of taxes			(0.03)	
Net earnings (loss)	0.98	1.02	1.19	(0.36)
Diluted earnings (loss) per share attributable to Fluor Corporation:				
Earnings (loss) from continuing operations	0.96	1.00	1.21	(0.36)
Loss from discontinued operations, net of taxes			(0.04)	
Net earnings (loss)	0.96	1.00	1.17	(0.36)

Net earnings in the second and third quarters of 2016 were adversely affected by pre-tax charges of \$24 million (or \$0.10 per diluted share) and \$241 million (or \$1.10 per diluted share), respectively, related to forecast revisions for estimated cost increases on a petrochemicals project in the United States.

Table of Contents

**FLUOR CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Net earnings in the third quarter of 2015 included a pre-tax gain of \$68 million (or \$0.30 per diluted share) related to the sale of 50 percent of the company's ownership interest in its principal operating subsidiary in Spain to facilitate the formation of an Energy, Chemicals & Mining joint venture. Net earnings in the third and fourth quarters of 2015 included a pre-tax loss of \$21 million (or \$0.09 per diluted share) and \$31 million (or \$0.14 per diluted share), respectively, resulting from forecast revisions for a large gas-fired power plant in Brunswick County, Virginia. Net earnings in the third and fourth quarters of 2015 included pre-tax pension settlement charges of \$9 million (or \$0.04 per diluted share) and \$231 million (or \$1.04 per diluted share), respectively.

Net earnings in 2015 included losses from discontinued operations related to the previously divested lead business of St. Joe Minerals Corporation and The Doe Run Company in Herculaneum, Missouri. The 2015 losses from discontinued operations resulted from the settlement of lead exposure cases and the payment of legal fees incurred in connection with a pending indemnification action against the buyer of the lead business for these settlements and others.

F-53

---