

FLUOR CORP
Form 10-K
February 20, 2018

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

Form 10-K

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

For the fiscal year ended December 31, 2017

or

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

For the transition period from

to

Commission file number: 1-16129

FLUOR CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

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

33-0927079

*(I.R.S. Employer
Identification 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

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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, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

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

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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, 2017, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was approximately \$6.4 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 16, 2018
Common Stock, \$.01 par value per share	139,907,306 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 3, 2018 (Proxy Statement)	Part III

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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. 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

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operations, maintenance and asset integrity activities globally for major industrial clients. We have been named to Fortune Magazine's "World's Most Admired Companies®" for the 18th consecutive year, and we are ranked by Engineering News Record as number two in its 2017 list of Top 400 Contractors. We were also named to Forbes' JUST100® list of America's best corporate citizens, where top companies are ranked by how they perform on issues that most concern Americans, for the second year in a row. Additionally, Fluor has been recognized by Ethisphere magazine as a World's Most Ethical Company® for the past 11 years.

Our business is divided into four principal segments. The four segments are: Energy, Chemicals & Mining; Industrial, Infrastructure & Power; Diversified Services; 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-46 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, procure, fabricate, construct, commission, operate, maintain 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

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our footprint in growth regions by establishing local offices, forming strategic alliances with local partners, 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 cost-efficient basis.

Market Diversity The company serves multiple markets across a broad spectrum of industries around 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 clients, which we believe is a clear differentiator for us.

General Operations

Our services fall into six broad categories: engineering and design; procurement; construction; fabrication and modularization; maintenance, modification and asset integrity services; 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,

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technology and licensing evaluation, scope definition and siting. Our engineering and design 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 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 China, Mexico, Canada and Russia. 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.

We offer maintenance, modification and asset integrity services in order to improve the performance and extend the life of our clients' complex facilities. Our acquisition of Stork Holding B.V. helped us significantly increase our diversified services offerings and enhance our integrated solutions capabilities. Diversified 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 diversified services 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 where we focus on opportunities in the upstream, midstream, 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 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

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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, fabricate 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 geographic 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, phosphates 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. In the first quarter of 2018, mining and metals will be moved from the Energy & Chemicals business segment to the Industrial, Infrastructure & Power business segment to align with how these business segments will be managed.

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 technical 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 timely 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

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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, environmental compliance, renewables, nuclear 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 continue to invest in NuScale Power, LLC ("NuScale"), a 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 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. We expect our application to be approved on or before January 2021.

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

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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 and recently in support of the Army Corps of Engineers.

Diversified Services

The Diversified Services segment provides a wide array of maintenance, modification, asset integrity, equipment and staffing services to support projects across Fluor's business lines and our clients all over the world.

Through Stork, we provide 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. 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.

Our power services business line offers 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.

Diversified Services also includes 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.

Staffing services, also part of Diversified Services, are provided 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.

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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, 2017 and 2016:

	December 31, 2017	December 31, 2016	
(in millions)			
Energy, Chemicals & Mining	\$ 16,997	\$ 21,831	
Industrial, Infrastructure & Power	7,696	15,115	
Government ⁽¹⁾	3,771	5,194	
Diversified Services ⁽²⁾	2,451	2,872	
Total⁽³⁾	\$ 30,915	\$ 45,012	

- (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, 2017 and 2016, total backlog includes \$741 million and \$2.7 billion, 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 Diversified Services segment do not report backlog or new awards. With respect to our ongoing operations and maintenance and asset integrity contracts in this 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, 2017 and 2016 by region:

	December 31, 2017	December 31, 2016	
(in millions)			
United States	\$ 12,908	\$ 23,188	
Asia Pacific (including Australia)	1,664	1,957	
Europe, Africa and Middle East	13,420	16,732	
The Americas (excluding the United States)	2,923	3,135	
Total	\$ 30,915	\$ 45,012	

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, 2017 backlog estimated to be performed annually subsequent to 2018. 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.

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The following table sets forth our changes in consolidated backlog in each year to reach ending backlog at December 31, 2017 and 2016:

	2017	2016
	(in millions)	
Backlog at beginning of year	\$ 45,012	\$ 44,726
New awards	12,566	20,959
Adjustments and cancellations, net ⁽¹⁾	(7,597)	(2,061)
Work performed	(19,066)	(18,612)
Backlog at end of year	\$ 30,915	\$ 45,012

(1) Adjustments and cancellations, net during 2017 resulted primarily from the removal of the two Westinghouse nuclear power plant projects from backlog, an adjustment to limit the contractual term of the Magnox RSRL Project to a five year term ending in August 2019 and exchange rate fluctuations. Adjustments and cancellations, net during 2016 resulted primarily from an adjustment for a liquefied natural gas project in Canada that was suspended, as well as project scope reductions and exchange rate fluctuations.

In 2018, we expect to perform approximately 51 percent of our total backlog reported as of December 31, 2017. In comparison, during the last three years we expected to annually perform an average of 41 percent of our total year-end backlog in the subsequent fiscal year.

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) 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 reimbursable elements. As of December 31, 2017, the following table breaks down the percentage and amount of revenue associated with these types of contracts for our existing backlog:

	December 31, 2017	
	(in millions)	(percentage)
Reimbursable	\$ 19,464	63%
Fixed-Price, Lump-Sum and Guaranteed Maximum	\$ 11,451	37%

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 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 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

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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 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 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 AECOM, Bechtel Group, Inc., EMCOR Group, Inc., Jacobs Engineering Group, Inc., KBR, Inc., Kiewit Corporation, Granite Construction, Inc., and Quanta Services, Inc., and international-based companies such as ACS Actividades de Construccion y Servicios, Balfour Beatty plc, Chicago Bridge and Iron Company N.V., Chiyoda Corporation, Hyundai Engineering & Construction Company, Ltd., JGC Corporation, McDermott International, Inc., Petrofac Limited, SNC-Lavalin Group, Inc., Samsung Engineering, Stantec Inc., TechnipFMC plc, Wood Group 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 Diversified Services segment, while having some similarities to the construction and procurement arena, tend also to have discrete issues impacting individual business lines. Each of the markets we serve has a large number of companies competing in its markets. In the operations

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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 geographic coverage.

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 2017, revenue earned from agencies of the U.S. government and Exxon Mobil Corporation accounted for 15 percent and 13 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 2017.

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 costs 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 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

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

Number of Employees

The following table sets forth the number of employees of Fluor and its subsidiaries as of December 31, 2017:

	Number of Employees
Salaried Employees	31,951
Craft and Hourly Employees	24,755
Total	56,706

The number of craft and hourly employees 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, 2017:

Name	Age	Position with the Company⁽¹⁾
Ray F. Barnard	58	Executive Vice President, Systems and Supply Chain
James F. Brittain	59	Group President, Energy & Chemicals
Jose-Luis Bustamante	54	Executive Vice President, Business Development and Strategy
Robin K. Chopra	53	Senior Vice President and Controller
Thomas P. D'Agostino	59	Group President, Government
Taco de Haan	50	Group President, Diversified Services
Garry W. Flowers	66	Executive Vice President
Carlos M. Hernandez	63	Executive Vice President, Chief Legal Officer and Secretary
Rick Koumouris	57	Group President, Mining & Metals, Infrastructure, Power, Life Sciences & Advanced Manufacturing
Mark A. Landry	53	Senior Vice President, Human Resources
David T. Seaton	56	Chairman and Chief Executive Officer
Bruce A. Stanski	57	Executive Vice President and Chief Financial Officer

(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.

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Ray F. Barnard

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.

James F. Brittain

Mr. Brittain has been Group President, Energy & Chemicals since March 2017. Prior to that, he was Senior Vice President, Business Line President Energy & Chemicals Americas from February 2014 to March 2017 and Vice President, Project Director Energy & Chemicals from February 2009 to February 2014. Mr. Brittain joined the company in 1987.

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 Strategic Planning Energy & Chemicals from February 2012 to February 2015. 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.

Thomas P. D'Agostino

Mr. D'Agostino has been Group President, Government since August 2017. Prior to that, he was Senior Vice President, Sales, Government from June 2015 to August 2017 and Senior Vice President of Strategic Planning and Development for Government from November 2013 to June 2015. Prior to joining the company in November 2013, he served in various roles, including Under Secretary for Nuclear Security, Administrator of the National Nuclear Security Administration (NNSA) and Deputy Administrator for Defense Programs from 2007 until his retirement in February 2013.

Taco de Haan

Mr. de Haan has been Group President, Diversified Services since March 2017 and Chief Executive Officer of Stork since October 2016. Prior to that, he was Senior Vice President, Business Line President Energy & Chemicals EAME from February 2011 to October 2016. Mr. de Haan joined the company in 1995.

Garry W. Flowers

Mr. Flowers has been Executive Vice President, with responsibility for corporate security and special projects, since February 2017. Prior to that, he was Executive Vice President, Project Support Services from February 2014 to February 2017 and Group President, Global Services from January 2012 to February 2014. 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 September 2007.

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Rick Koumouris

Mr. Koumouris has been Group President of Mining & Metals, Infrastructure, Power and Life Sciences & Advanced Manufacturing since March 2017. Prior to that, he was Senior Vice President, Business Line President Mining & Metals from March 2007 to March 2017. Mr. Koumouris joined the company in 1987.

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.

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 Executive Vice President and Chief Financial Officer since August 2017. Prior to that, he was Group President, Government from August 2009 to August 2017. Prior to joining the company in March 2009, he was President, Government and Infrastructure of KBR, Inc. from August 2007 to March 2009.

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. Over the past few years, poor economic conditions, low commodity prices, political uncertainties and currency devaluations have adversely affected our clients' interest in approving new projects, reduced our clients' budgets for capital expenditures and otherwise caused a slowdown in the services our clients require. Despite improving conditions, our clients remain selective in how they allocate and expend their capital, which has resulted in a reduction of the number of projects we may bid on and win, especially the larger scale projects in which we specialize. 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

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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 stagnant demand for domestic power, coupled with improved energy efficiency and political and environmental concerns. In our mining and metal business line, while new order activity has picked up, the number and the size of the awards are less than we have historically seen due in part to volatility in the commodities and capital markets, which have caused clients in this segment to be conservative in how they allocate their investment capital for future 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 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.

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. Unforeseen increases in or failures to properly estimate the cost of raw materials, components, equipment, labor or the ability to timely obtain them may result in such cost overruns or project delays. 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 37 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, and we expect this percentage of fixed-price contracts to increase in subsequent years. 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.

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Our project execution activities may result in reduced profits or losses that could have a material impact on our financial condition, results of operations or cash flow.

Because our projects are often technically complex, with multiple phases occurring over several years, we incur risks in our project execution activities. These risks could result in cost overruns, project delays or other problems and can include the following:

Unanticipated technical problems, including design or engineering issues;

Inaccurate representations of site conditions and unanticipated changes in the project execution plan;

Project modifications creating unanticipated costs or delays and failure to properly manage project modifications;

Inability to achieve guaranteed performance or quality standards with regard to engineering, construction or project management obligations;

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

Failure to accurately estimate the cost of projects;

Failure to properly make judgments in accordance with applicable professional standards, including engineering standards;

Failure to properly assess and update appropriate risk mitigation strategies and measures;

Incorrect assumptions related to productivity, scheduling estimates or future economic conditions including with respect to the impacts of inflation on lump-sum or fixed-price contracts;

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

Delays or productivity issues caused by weather; and

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

These and other risks may result in our failure to achieve contractual cost or schedule commitments, safety performance, overall client satisfaction or other performance criteria. As a result, we may receive lower fees or lose our ability to earn incentive fees. 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. In addition, if we fail to meet guaranteed performance or quality standards, we may be held responsible under the guarantee or warranty provisions of our contract for cost impact to the client, generally in the form of contractually agreed-upon liquidated damages or an obligation to re-perform substandard work. We may also be required to pay liquidated damages if we fail to complete a project on schedule. To the extent these events occur, the total cost to the project (including any liquidated damages we become liable to pay) could be material and could, 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.

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

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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

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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.

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 COOEC Fluor Heavy Industries ("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 or where we team with unaffiliated parties on a particular project bid. 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. If internal control problems arise within the joint venture, or if our joint venture partners have financial or operational issues, there could be a material impact on our business, financial condition or results of 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. 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. 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.

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

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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 uncertainty, especially with regard to our 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 provide notice or 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 while unresolved claims are pending, we may invest significant working capital in projects to 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.

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 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 and while we endeavor to ensure our cloud vendors that store our data maintain similar measures, 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

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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.

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, 2017, approximately 58 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;

other social, political and economic instability;

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 locations where there is a significant amount of political risk. 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.

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

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As of December 31, 2017, our backlog was approximately \$30.9 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

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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 and/or instability 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.

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 are volatile or relatively 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.

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

Some 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 an 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 we rely 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;

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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. 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 in the government arena or otherwise.

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-

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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 2018 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.

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. 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 lower or higher tax rate on our earnings, which could have a material impact on our earnings and cash flows from operations. For example, recently enacted tax reform legislation in the U.S. could significantly impact our provision for income taxes. In addition, significant judgment is required in determining our worldwide provision for income taxes and our determinations could be found to be incorrect. 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. Future increases in our tax rate or adverse changes in tax laws could have a material adverse effect on our profitability and liquidity.

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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, some of which are hosted by third party providers, 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 personal or financial 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. While we have and require the maintenance of reasonable safeguards designed to protect against unavailability or loss of data, these safeguards may not be sufficient. We may be required to expend significant resources to protect against or alleviate damage caused by systems interruptions and delays, which could have a material adverse effect on our business and cash flows.

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, 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.

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. While 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.

Damage to our reputation could in turn cause damage to our business.

Maintaining our reputation is critical to attracting and maintaining our clients and other business relationships. If we fail to address issues that may give rise to reputational risk, we could significantly harm our business. These issues may include, but are not limited to, any of the risk factors discussed in this Item 1A, including compliance with laws, project execution risk, cyber security and safety. If our reputation is harmed, we could suffer a number of adverse consequences, such as:

reduced demand for our services;

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lack of investor confidence;

less favorable credit rating;

the inability to attract and retain qualified employees;

a loss of or reduction in scope of current project contracts and fewer contract awards;

less favorable contract terms;

increased litigation and costs; and

heightened regulatory scrutiny.

These and other consequences resulting from damage to our reputation could have a material adverse effect on our business, financial condition, results of operations and cash flows.

New or changing legal requirements, including those relating to climate change, could adversely affect our 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 and chemicals 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 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.

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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 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.

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 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.

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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. Our employees, contractors and joint venture partners are subject to confidentiality obligations, but this protection may be inadequate to deter or prevent misappropriation of our confidential information and/or infringement of our intellectual property rights. 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, or when our joint venture partner is a competitor who will gain access to our procedures and know-how while working with us in the performance of services.

Our clients require broad ownership rights in the work product and other materials we deliver. If we are not able to retain ownership of our pre-existing intellectual property and improvements thereto, it may affect our ability to provide similar services to other clients in the future, which ultimately, could have a material adverse effect on our operations.

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

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financial performance could be adversely affected. When we license our intellectual property to third parties, the scope of such license grant is limited to a particular plant or project. If such third party exceeds the scope of the license grant, and if we are unable to detect unauthorized use of our intellectual property or otherwise take appropriate steps to enforce our rights, our revenue and margins will be adversely impacted, and the value of our intellectual property portfolio may decline thereby adversely affecting our competitive advantage and ability to win future work.

Adverse credit and financial market conditions could impair our, our clients' and our partners' borrowing capacity, which could negatively affect our business operations, profits and growth objectives.

Our ongoing ability to generate cash is important for the funding of our continuing operations, investing in joint ventures, the servicing of our indebtedness, paying dividends to stockholders and making acquisitions. 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 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.

In addition, adverse credit and financial market conditions could also adversely affect our clients' and our partners' 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. 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.

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.

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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.

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.

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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 and investments, there is a possibility that we may be unable to successfully integrate our businesses or capitalize upon our investments in order to realize the anticipated benefits of these acquisitions and investments or do so within the intended timeframe.

Whenever we make an acquisition or investment, we have and will continue to devote significant management attention and resources to integrating or aligning the business practices and operations of companies we acquire or invest in. Difficulties we may encounter in the integration/alignment process include:

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

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

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

Differences in corporate culture and management philosophies;

The ability to retain key personnel;

The challenges of integrating or aligning complex systems, technology, networks and other assets into or to be compatible with 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 or investment, including the costs to integrate or consolidate 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 investment, 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;

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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

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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.

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

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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:

Location	Interest
United States:	
Greenville, South Carolina	Owned
Houston (Sugar Land), Texas	Leased
Irving, Texas (Corporate Headquarters)	Owned
Southern California (Aliso Viejo and Long Beach)	Leased
Canada:	
Calgary, Alberta	Owned
Vancouver, British Columbia	Leased
Latin America:	
Buenos Aires, Argentina	Leased
Mexico City, Mexico	Leased
Santiago, Chile	Owned and Leased
Europe, Africa and Middle East:	
Al Khobar, Saudi Arabia	Owned
Amsterdam, the Netherlands	Owned
Farnborough, England	Owned and Leased
Gliwice, Poland	Owned
Johannesburg, South Africa	Leased
Asia/Asia Pacific:	
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 own or lease fabrication yards in China, Mexico, Canada and Russia.

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	
Year Ended December 31, 2017			
Fourth Quarter	\$ 52.03	\$ 42.00	\$ 0.21
Third Quarter	\$ 46.78	\$ 37.04	\$ 0.21
Second Quarter	\$ 53.03	\$ 43.65	\$ 0.21
First Quarter	\$ 58.37	\$ 49.85	\$ 0.21
Year Ended December 31, 2016			
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

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 16, 2018, there were 139,907,306 shares outstanding and 4,687 stockholders of record of the company's common stock. The company estimates there were an additional 167,720 stockholders whose shares were held by banks, brokers or other financial institutions at February 6, 2018.

Issuer Purchases of Equity Securities

The following table provides information as of the three months ended December 31, 2017 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 ⁽¹⁾
October 1 - October 31, 2017		\$		11,610,219
November 1 - November 30, 2017				11,610,219
December 1 - December 31, 2017				11,610,219
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.

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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,				
	2017	2016	2015	2014	2013
CONSOLIDATED OPERATING RESULTS					
Total revenue	\$ 19,521.0	\$ 19,036.5	\$ 18,114.0	\$ 21,531.6	\$ 27,351.6
Earnings from continuing operations before taxes	386.4	546.6	726.6	1,204.9	1,177.6
Amounts attributable to Fluor Corporation:					
Earnings from continuing operations ⁽¹⁾	\$ 191.4	281.4	\$ 418.2	\$ 715.5	\$ 667.7
Loss from discontinued operations, net of taxes			(5.7)	(204.6)	
Net earnings ⁽¹⁾	\$ 191.4	\$ 281.4	\$ 412.5	\$ 510.9	\$ 667.7
Basic earnings (loss) per share attributable to Fluor Corporation:					
Earnings from continuing operations ⁽¹⁾	\$ 1.37	\$ 2.02	\$ 2.89	\$ 4.54	\$ 4.11
Loss from discontinued operations, net of taxes			(0.04)	(1.30)	
Net earnings ⁽¹⁾	\$ 1.37	\$ 2.02	\$ 2.85	\$ 3.24	\$ 4.11
Diluted earnings (loss) per share attributable to Fluor Corporation:					
Earnings from continuing operations ⁽¹⁾	\$ 1.36	\$ 2.00	\$ 2.85	\$ 4.48	\$ 4.06
Loss from discontinued operations, net of taxes			(0.04)	(1.28)	
Net earnings ⁽¹⁾	\$ 1.36	\$ 2.00	\$ 2.81	\$ 3.20	\$ 4.06
Cash dividends per common share declared	\$ 0.84	\$ 0.84	\$ 0.84	\$ 0.84	\$ 0.64
Return on average shareholders' equity ⁽²⁾	5.9%	9.1%	13.6%	20.1%	18.6%
CONSOLIDATED FINANCIAL POSITION					
Current assets	\$ 5,601.3	\$ 5,610.3	\$ 5,105.4	\$ 5,417.8	\$ 5,757.9
Current liabilities	3,574.2	3,816.0	2,935.4	3,330.9	3,407.2
Working capital	2,027.1	1,794.3	2,170.0	2,086.9	2,350.7
Property, plant and equipment, net	1,093.7	1,017.2	892.3	980.3	967.0
Total assets	9,327.7	9,216.4	7,625.4	8,187.5	8,320.7
Capitalization					
1.750% Senior Notes	597.7	523.6			
3.375% Senior Notes	496.9	496.0	495.2	494.3	493.5
3.5% Senior Notes	493.3	492.4	491.4	490.4	
1.5% Convertible Senior Notes				18.3	18.4
Revolving Credit Facility		52.7			
Other debt obligations	31.1	35.5		10.4	11.4
Shareholders' equity	3,342.3	3,125.2	2,997.3	3,110.9	3,757.0
Total capitalization	4,961.3	4,725.4	3,983.9	4,124.3	4,280.3
Common shares outstanding at year end	139.9	139.3	139.0	148.6	161.3

OTHER DATA

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New awards	\$ 12,565.6	\$ 20,959.2	\$ 21,846.2	\$ 28,831.1	\$ 25,085.6
Backlog at year end ⁽³⁾	30,915.4	45,011.9	44,726.1	42,481.5	34,907.1
Capital expenditures	283.1	235.9	240.2	324.7	288.5
Cash provided by operating activities	602.0	705.9	849.1	642.6	788.9
Cash utilized by investing activities	(484.3)	(741.4)	(66.5)	(199.1)	(234.6)
Cash utilized by financing activities	(215.5)	(10.4)	(728.2)	(666.4)	(369.6)
Employees at year end					
Salaried employees	31,951	28,681	27,195	27,643	29,425
Craft/hourly employees	24,755	32,870	11,563	9,865	8,704
Total employees	56,706	61,551	38,758	37,508	38,129

- (1) Net earnings attributable to Fluor Corporation in 2017 included pre-tax charges totaling \$260 million (or \$1.18 per diluted share) resulting from forecast revisions for estimated cost growth at three fixed-price, gas-fired power plant projects in the southeastern United States, pre-tax charges totaling \$44 million (or \$0.20 per diluted share) resulting from forecast revisions

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for estimated cost increases on a downstream project and the adverse impact of recently enacted U.S. tax reform legislation of \$37 million (or \$0.27 per diluted share).

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.

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.

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 2015 - 2017.

(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) Total backlog included \$741 million, \$2.7 billion, \$912 million, \$2.1 billion and \$983 million of unfunded portion of multi-year government contracts new awards as of December 31, 2017, 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 was \$19.5 billion, \$19.0 billion and \$18.1 billion during 2017, 2016 and 2015, respectively. During both 2017 and 2016, revenue growth in the Industrial, Infrastructure & Power, Government and Diversified Services segments was partially offset by revenue declines in the Energy, Chemicals & Mining segment.

Earnings from continuing operations before taxes for 2017 decreased 29 percent to \$386 million from \$547 million in 2016. Earnings in 2017 were adversely affected by pre-tax charges totaling \$304 million resulting from forecast revisions for estimated cost growth at three fixed-price, gas-fired power plant projects in the southeastern United States and a downstream project. Earnings in 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 United

States. Apart from the adverse effects of the forecast revisions in both years, earnings in 2017 declined primarily in the Energy, Chemicals & Mining segment.

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Earnings from continuing operations before taxes for 2016 decreased 25 percent to \$547 million from \$727 million in 2015. As discussed above, earnings in 2016 were adversely affected by pre-tax charges totaling \$265 million related to forecast revisions for estimated cost increases on a petrochemicals project, 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.

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 \$6 million (net of taxes of \$3 million) during 2015 resulting from the settlement of lead exposure cases and the payment of legal fees related to the divested lead business of St. Joe Minerals Corporation and The Doe Run Company in Herculaneum, Missouri, which the company sold in 1994. The company 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 31.6%, 40.1%, and 33.8% for 2017, 2016, and 2015, respectively. The effective tax rate for 2017 was unfavorably impacted by a \$37 million tax charge resulting from the enactment on December 22, 2017 of comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the "Act"), as further discussed in Note 4 of the Notes to Consolidated Financial Statements. Apart from the impact of the Act, the effective tax rate for 2017 benefited from the release of a deferred tax liability as a result of the restructuring of certain international operations and a worthless stock deduction for an insolvent foreign subsidiary. These benefits were partially offset by the establishment of valuation allowances on certain foreign net operating loss carryforwards.

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 U.S. 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. 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 2017 decreased to \$1.36 from \$2.00 in 2016. Diluted earnings per share in 2017 were adversely affected by charges totaling \$1.38 per diluted share resulting from forecast revisions for estimated cost growth at the three power plant projects and the downstream project mentioned above as well as the impact of recently enacted U.S. tax reform legislation of \$0.27 per diluted share. Diluted earnings per share from continuing operations in 2016 were adversely affected by forecast revisions for estimated cost increases on the petrochemicals project mentioned above 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.

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.

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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. For example, during 2017, margins in the company's Energy, Chemicals & Mining segment were adversely affected by a shift in the mix of work from higher margin engineering activities to lower margin construction activities.

The Energy, Chemicals & Mining segment remains well positioned for new project activity; however, delays in final investment decisions continue to affect the timing of new awards.

Consolidated new awards in 2017 were \$12.6 billion compared to \$21.0 billion in 2016 and \$21.8 billion in 2015. All business segments contributed to the new award activity in 2017, including a mining project in Chile, a power restoration project in Puerto Rico, a contract extension for the LOGCAP IV program, a propylene oxide project in Texas and infrastructure projects in the United States and the Netherlands. 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 which 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. Approximately 53 percent of consolidated new awards for 2017 were for projects located outside of the United States compared to 46 percent for 2016.

Consolidated backlog was \$30.9 billion as of December 31, 2017, \$45.0 billion as of December 31, 2016, and \$44.7 billion as of December 31, 2015. The decrease in backlog at the end of 2017 primarily resulted from the removal of two nuclear power plant projects for Westinghouse Electric Company LLC ("Westinghouse") and an adjustment to limit the contractual term of the Magnox nuclear decommissioning project in the United Kingdom (the "Magnox RSRL Project") to a five year term, as well as new award activity being outpaced by work performed. 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. As of December 31, 2017, approximately 58 percent of consolidated backlog related to projects located outside of the United States compared to 48 percent as of December 31, 2016.

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 Diversified Services 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 Yard in China's Guangdong province. The company made additional investments of \$62 million in 2016 and \$26 million in 2017 and has a future funding commitment of \$52 million.

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

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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 unless they are expected to be recovered from the client. 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, 2017, 63 percent of the company's backlog was reimbursable while 37 percent was for fixed-price or lump-sum 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 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.

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As of December 31, 2017 and 2016, the company had recorded \$124 million and \$61 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 \$18 million and \$41 million as of December 31, 2017 and 2016, respectively. 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, foreign currency exchange fluctuations and project 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 it has any of the following characteristics: (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. 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 construction partnerships and joint ventures, 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.

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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 discussed in Note 4 of the Notes to Consolidated Financial Statements, enactment of the Act on December 22, 2017 significantly changed how U.S. corporations are taxed. The Act requires complex computations to be performed that were not previously required in U.S. tax law, significant judgments to be made in interpretation of the provisions of the Act, the use of significant estimates in calculations, and the preparation and analysis of information not previously considered relevant or regularly produced. The U.S. Treasury Department, the IRS, and other standard-setting bodies could interpret or issue guidance on how provisions of the Act will be applied or otherwise administered that is different from the company's interpretation. As the company completes its analysis of the Act, collects and prepares necessary data, and interprets any additional guidance, the company may make adjustments to provisional amounts over the next twelve months that may materially impact the company's provision for income taxes in the period in which the adjustments are made.

As of December 31, 2017, the company had deferred tax assets of \$618 million which were partially offset by a valuation allowance of \$100 million and further reduced by deferred tax liabilities of \$202 million. The valuation allowance reduces certain deferred tax assets to amounts that are more likely than not to be realized. The valuation allowance for 2017 primarily relates to the deferred tax assets on certain net operating loss carryforwards in certain jurisdictions 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 \$25 million to its defined benefit pension plans in 2018, 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 \$57 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 2017, the company changed the name of the Maintenance, Modification & Asset Integrity segment to Diversified Services. The company now reports its operating results in the following four reportable segments: Energy, Chemicals & Mining; Industrial, Infrastructure & Power; Government; and Diversified Services. 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,		
	2017	2016	2015
Revenue	\$ 9,376.7	\$ 9,754.2	\$ 11,865.4
Segment profit	454.7	401.5	866.6

Revenue in 2017 decreased 4 percent compared to 2016, primarily due to reduced volume of project execution activity for chemicals projects completed in 2016 or nearing completion in 2017, partially offset by an increase in construction activities for an, upstream project and several downstream and mining and metals projects. 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 2016 was also adversely affected by forecast revisions for a large petrochemical project in the United States.

Segment profit in 2017 increased compared to 2016 due to the adverse impact of forecast revisions in 2016. Normalizing for the adverse effects of the forecast revisions in 2016, segment profit declined in 2017 due to lower volume of project execution activity for chemicals projects nearing completion, a continued shift in mix from higher margin engineering to lower margin construction activities, and a forecast revision for estimated cost increases on a downstream project. Segment profit in 2016 significantly decreased compared to 2015. Segment profit in 2016 was adversely affected by forecast revisions for estimated cost increases on the petrochemicals project in the United States of \$265 million. The decrease in segment profit in 2016 was also driven by reduced contributions from the mining and metals business line and certain upstream projects that were completed or nearing completion in 2015.

Segment profit margin was 4.8 percent, 4.1 percent and 7.3 percent for the years ended December 31, 2017, 2016 and 2015, respectively. The change in segment profit margin in 2017 was primarily attributable to the same factors that affected revenue and segment profit. Segment profit margin in 2016 was primarily affected by forecast revisions on the large petrochemicals project discussed above.

New awards in the Energy, Chemicals & Mining segment were \$5.4 billion in 2017, \$8.4 billion in 2016 and \$12.0 billion in 2015. New awards in 2017 included an offshore project in the North Sea, a mining project in Chile, a propylene oxide project in Texas, a petrochemical project in Malaysia and two refinery projects in Texas. 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.

Backlog for the Energy, Chemicals & Mining segment was \$17.0 billion as of December 31, 2017, \$21.8 billion as of December 31, 2016 and \$29.4 billion as of December 31, 2015. The reduction in backlog during 2017 resulted primarily from new award activity being outpaced by work performed. 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 of 2016, as well as new award activity being outpaced by work performed. While commodity prices have improved, clients continue to delay final investment decisions.

Total assets in the segment were \$1.8 billion as of December 31, 2017 and \$2.3 billion as of December 31, 2016.

Table of Contents**Industrial, Infrastructure & Power**

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

(in millions)	Year Ended December 31,		
	2017	2016	2015
Revenue	\$ 4,367.5	\$ 4,094.5	\$ 2,264.0
Segment profit (loss)	(170.8)	135.8	(44.9)

Revenue in 2017 increased 7 percent compared to 2016 primarily due to increased project execution activity for several life sciences and advanced manufacturing projects, partially offset by reduced levels of project execution for two nuclear projects. 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.

Segment profit in 2017 was adversely affected by pre-tax charges of \$260 million resulting from forecast revisions for estimated cost growth at three fixed-price, gas-fired power plant projects. Segment profit increased significantly in 2016 compared to 2015 primarily due to the higher volume of project execution activities for the power projects mentioned in the paragraph above, as well as the adverse impact in 2015 of a loss of \$60 million resulting from forecast revisions on a large gas-fired power plant in Brunswick County, Virginia. The change in segment profit margins in 2017 and 2016 were primarily attributable to the same factors impacting segment profit in those years.

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 \$76 million, \$92 million and \$80 million for 2017, 2016 and 2015, respectively.

New awards in the Industrial, Infrastructure & Power segment were \$2.6 billion during 2017, \$6.2 billion during 2016 and \$7.1 billion during 2015. New awards in 2017 included the Southern Gateway project in Texas, the A10 Zuidasdok infrastructure project in Amsterdam and the Green Line Light Rail Extension project in Boston. 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 an award from Westinghouse to manage the construction workforce at two nuclear power plant projects in South Carolina ("V.C. Summer") and Georgia ("Plant Vogtle"), a gas-fired power plant in Florida and a highway project in Texas.

Backlog in the Industrial, Infrastructure & Power segment was \$7.7 billion as of December 31, 2017, \$15.1 billion as of December 31, 2016 and \$9.7 billion as of December 31, 2015. The decrease in backlog during 2017 primarily resulted from the removal of the two Westinghouse nuclear power plant projects during 2017. The increase in backlog during 2016 primarily resulted from project adjustments in the power business line for the two Westinghouse nuclear power plant projects and new awards in the infrastructure business line.

Total assets in the Industrial, Infrastructure & Power segment were \$926 million as of December 31, 2017 and \$750 million as of December 31, 2016. The increase in total assets resulted from increased working capital in support of project execution activities.

Total assets in the Industrial, Infrastructure & Power segment as of December 31, 2017 included accounts receivable related to the two subcontracts with Westinghouse to manage the construction workforce at the Plant Vogtle and V.C. Summer nuclear power plant projects. On March 29, 2017 ("the bankruptcy petition date"), Westinghouse filed for Chapter 11 bankruptcy protection in the U.S. Bankruptcy Court, Southern District of New York. In the third quarter of 2017, the V.C. Summer project

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was cancelled by the owner. In the fourth quarter of 2017, the remaining scope of work on the Plant Vogtle project was transferred to a new contractor. In addition to amounts due for post-petition services, total assets as of December 31, 2017 included amounts due of \$66 million and \$2 million for services provided to the V.C. Summer and Plant Vogtle projects, respectively, prior to the date of the bankruptcy petition. See Note 17 to the Consolidated Financial Statements.

Government

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

(in millions)	Year Ended December 31,		
	2017	2016	2015
Revenue	\$ 3,232.7	\$ 2,720.0	\$ 2,557.4
Segment profit	127.9	85.1	83.1

Revenue in 2017 increased 19 percent compared to 2016 primarily due to increases in project execution activities for several large multi-year decommissioning and cleanup projects, as well as the commencement of a power restoration project in Puerto Rico ("Power Infrastructure Restoration Project"). 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 services projects. 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.

Segment profit for 2017 increased 50 percent compared to 2016, substantially driven by increased contributions from multi-year decommissioning and cleanup projects and the commencement of the Power Infrastructure Restoration Project. 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 margin was 4.0 percent, 3.1 percent, and 3.3 percent for the years ended December 31, 2017, 2016 and 2015, respectively. The increase in segment profit margin in 2017 was driven by the same factors that drove the increase in segment profit. Segment profit margin in 2016 decreased slightly when compared to 2015 primarily due to lower margin contributions from decommissioning and cleanup projects.

New awards were \$2.6 billion, \$4.6 billion and \$1.4 billion during 2017, 2016 and 2015, respectively. New awards in 2017 included two awards related to the Power Infrastructure Restoration Project in Puerto Rico and contract extensions for both the LOGCAP IV program and the management and operations of the Strategic Petroleum Reserve project. New awards in 2016 included large awards for multi-year decommissioning and cleanup projects in the segment's environmental and nuclear business line.

Backlog was \$3.8 billion as of December 31, 2017, \$5.2 billion as of December 31, 2016 and \$3.6 billion as of December 31, 2015. Total backlog included \$741 million, \$2.7 billion and \$912 million of unfunded government contracts as of December 31, 2017, 2016, and 2015, respectively. The decrease in backlog in 2017 primarily resulted from a customer decision to limit the contractual term of the Magnox RSRL Project to a five year term ending in August 2019.

Total assets in the Government segment were \$732 million as of December 31, 2017 compared to \$494 million as of December 31, 2016. The increase in total assets primarily resulted from increased working capital in support of project execution activities for the Power Infrastructure Restoration Project in Puerto Rico.

Table of Contents**Diversified Services**

Revenue and segment profit for the Diversified Services segment are summarized as follows:

(in millions)	Year Ended December 31,		
	2017	2016	2015
Revenue	\$ 2,544.1	\$ 2,467.8	\$ 1,427.2
Segment profit	133.6	121.9	127.4

Revenue in 2017 increased 3 percent compared to 2016, primarily due to the inclusion of twelve months of revenue associated with the acquisition of the Stork business (which closed on March 1, 2016) compared to ten months during 2016, as well as revenue growth from the equipment business in North America. The increase in revenue in 2017 was partially offset by a lower level of project execution activities in the power services business. Revenue in 2016 increased 73 percent compared to 2015, primarily due to the inclusion of ten months of revenue associated with the Stork business. 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.

Segment profit in 2017 increased 10 percent compared to the prior year. Increased contributions from the equipment business in North America were partially offset by lower contributions from the Stork business. 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 margin was 5.3 percent, 4.9 percent and 8.9 percent for the years ended December 31, 2017, 2016 and 2015, respectively. The increase in segment profit margin in 2017 was primarily due to the same factors affecting segment profit. The decline in segment profit margin in 2016 was principally driven by the inclusion of Stork in 2016.

New awards in the Diversified Services segment were \$2.0 billion in 2017, \$1.8 billion in 2016 and \$1.4 billion in 2015. Backlog was \$2.5 billion as of December 31, 2017, \$2.9 billion as of December 31, 2016 and \$2.1 billion as of December 31, 2015. The reduction in backlog during 2017 resulted primarily from new award activity in the Stork and power services business being outpaced by work performed. The equipment and temporary staffing businesses do not report backlog or new awards.

Total assets in the Diversified Services segment were \$2.1 billion as of December 31, 2017 compared to \$2.0 billion as of December 31, 2016.

Corporate, Tax and Other Matters

Corporate For the three years ended December 31, 2017, 2016 and 2015, corporate general and administrative expenses were \$192 million, \$191 million and \$168 million, respectively. Corporate general and administrative expenses remained relatively flat in 2017 compared to the prior year. During 2017, the company incurred foreign currency exchange losses, while recognizing foreign currency exchange gains in 2016. The impact of the foreign currency losses was substantially offset by lower levels of organizational realignment expenses and compensation during 2017, as well as the inclusion of transaction and integration costs in 2016 associated with the Stork acquisition. 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 2015, which were partially offset by foreign currency exchange gains.

Net interest expense was \$40 million, \$53 million and \$28 million for the years ended December 31, 2017, 2016 and 2015, respectively. The decrease in 2017 was primarily due to an increase in interest income resulting from time deposits entered into during the year as well as a decrease in interest expense resulting from the repayment of the Stork Notes and borrowings under a revolving line of credit. The increase in

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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.

Tax The effective tax rate on earnings from continuing operations was 31.6 percent, 40.1 percent, and 33.8 percent for 2017, 2016, and 2015, respectively. Factors affecting the effective tax rates for 2015 - 2017 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 both committed and uncommitted lines of credit available to 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 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 a competitive advantage and continued access to the capital markets. As of December 31, 2017, the company was in compliance with all the financial covenants related to its debt agreements.

Cash Flows

Cash and cash equivalents were \$1.8 billion and \$1.9 billion as of December 31, 2017 and 2016, respectively. Cash and cash equivalents combined with current and noncurrent marketable securities were \$2.1 billion as of both December 31, 2017 and 2016. 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 \$919 million and \$1.0 billion as of December 31, 2017 and 2016, 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 variable interest entities (joint ventures and partnerships). These amounts (which totaled \$516 million and \$440 million as of December 31, 2017 and 2016, respectively, as reflected on 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 \$874 million and \$764 million as of December 31, 2017 and 2016, 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, 2017 and 2016 and, as a result, has appropriately reflected the tax impact on foreign earnings in deferred taxes.

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

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credit risk of third parties as part of its project risk review process. The company maintains adequate 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 2017, working capital increased primarily due to an increase in prepaid income taxes and a decrease in accounts payable, partially offset by decreases in accounts receivable and contract work in progress. Specific factors related to these drivers include:

A decrease in accounts payable in the Energy, Chemicals & Mining segment, which resulted primarily from normal invoicing and payment activities.

A decrease in accounts receivable, primarily related to collections from an Energy, Chemicals & Mining joint venture project in the United States.

A decrease in contract work in progress in the Energy, Chemicals & Mining segment, which resulted primarily from normal project execution activities.

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.

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Cash provided by operating activities was \$602 million, \$706 million and \$849 million in 2017, 2016 and 2015, respectively. The decreases in cash provided by operating activities in both of the last two years resulted primarily from declines in net working capital inflows and lower net earnings compared to prior years. The decrease in cash provided by operating activities in 2017 was partially offset by a decrease in deferred taxes. (See Note 4 of the Notes to Consolidated Financial Statements.)

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Income tax payments were \$175 million, \$165 million and \$250 million in 2017, 2016 and 2015, 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 2017, 2016 and 2015 were \$165 million, \$167 million and \$146 million, respectively. The company contributed approximately \$15 million into its defined benefit pension plans during both 2017 and 2016 and \$58 million into its defined benefit pension plans during 2015. Company contributions to defined benefit pension plans during 2015 primarily related to additional funding to settle the U.S. plan. Assuming no changes in current assumptions, the company expects to contribute up to \$25 million in 2018 to its defined benefit pension plans, which is expected to be in excess of the minimum funding required. As of December 31, 2017 and 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 during 2016. 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, 2017 and 2016.

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 \$76 million, \$92 million and \$80 million during 2017, 2016 and 2015, respectively. NuScale expenses for 2017, 2016 and 2015 were reported net of qualified reimbursable expenses of \$48 million, \$57 million and \$65 million, respectively. The company anticipates that it will have received cost reimbursements from the DOE totaling \$217 million by the end of the first quarter of 2018. 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 \$484 million, \$741 million and \$67 million during 2017, 2016 and 2015, respectively. The primary investing activities included purchases, sales and maturities of marketable securities; capital expenditures; disposals of property, plant and equipment; investments in 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 2017, purchases of marketable securities exceeded proceeds from sales and maturities of such securities by \$21 million. During 2016 and 2015, proceeds from sales and maturities of marketable securities exceeded purchases of such securities by \$162 million and \$25 million, respectively. The company held combined current and noncurrent marketable securities of \$275 million and \$255 million as of December 31, 2017 and 2016, respectively.

Capital expenditures of \$283 million, \$236 million and \$240 million during 2017, 2016 and 2015, respectively, primarily related to construction equipment associated with equipment operations in the Diversified Services segment, as well as expenditures for land, facilities and investments in information technology. Proceeds from the disposal of property, plant and equipment of \$96 million, \$81 million and

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\$94 million during 2017, 2016 and 2015, respectively, primarily related to the disposal of construction equipment associated with the equipment operations in the Diversified Services 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 both 2017 and 2016. These gains were included in corporate general and administrative expense in the Consolidated Statement of Earnings. The remaining deferred gain of approximately \$43 million is being 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 \$273 million, \$518 million and \$91 million in 2017, 2016 and 2015, respectively. Investments in 2017 and 2016 included capital contributions to an Energy, Chemicals & Mining joint venture in the United States and investments in CFHI. The company has a future funding commitment to CFHI of \$52 million.

Financing Activities

Cash utilized by financing activities during 2017, 2016 and 2015 of \$216 million, \$10 million and \$728 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.

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. In 2016 and 2015, the company repurchased 202,650 shares and 10,104,988 shares of common stock, respectively, under its current and previously authorized stock repurchase programs resulting in cash outflows of \$10 million and \$510 million, respectively. As of December 31, 2017, 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 2017 will be paid in the first quarter of 2018. Quarterly cash dividends of \$0.21 per share were declared in 2017, 2016 and 2015. Dividends of \$118 million were paid during both 2017 and 2016. Dividends of \$125 million were paid during 2015. 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

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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. We may, from time to time, repurchase the 2016 Notes, the 2014 Notes or the 2011 Notes in the open market, in privately-negotiated transactions or otherwise in such volumes, at such prices and upon such other terms as we deem appropriate.

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 company repaid and replaced the €110 million Super Senior Revolving Credit Facility with a €125 million Revolving Credit Facility that was available to fund working capital in the ordinary course of business. This replacement facility, which bore interest at EURIBOR plus .75%, expired in April 2017. Outstanding borrowings of \$53 million under the €125 million Revolving Credit Facility were repaid in the first quarter of 2017.

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 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

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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 \$47 million, \$58 million and \$59 million in 2017, 2016 and 2015, respectively. Distributions in 2017 primarily related to two transportation joint venture projects in the United States. 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. Capital contributions by joint venture partners were \$6 million, \$9 million and \$5 million in 2017, 2016 and 2015, 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 2017, most major foreign currencies strengthened against the U.S. dollar resulting in unrealized translation gains of \$110 million of which \$51 million related to cash held by foreign subsidiaries. During 2016 and 2015, most major foreign currencies weakened against the U.S. dollar resulting in unrealized translation losses of \$103 million and \$166 million, respectively, of which \$54 million and \$98 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, 2017, the company had both committed and uncommitted lines of credit available to be used for revolving loans and letters of credit. As of December 31, 2017, 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 2022. 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 was used for revolving loans, bank guarantees, letters of credit and to fund working capital in the ordinary course of business. This replacement facility, which bore interest at EURIBOR plus .75%, expired in April 2017. Outstanding borrowings of \$53 million under the €125 million Revolving Credit Facility were repaid in the first quarter of 2017.

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.

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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 \$14 billion as of December 31, 2017. 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, 2017 and 2016 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 our results, the company mitigates these trends by seeking to fix the company's cost at or soon after the time of award on lump-sum or fixed-price contracts 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 ("VIEs")

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, 2017 are summarized as follows:

Contractual Obligations	Total	Payments Due by Period			
		1 year or less	2 3 years	4 5 years	Over 5 years
(in millions)					
Debt:					
1.750% Senior Notes	\$ 598	\$	\$	\$	\$ 598
3.375% Senior Notes	497			497	
3.5% Senior Notes	493				493
Other borrowings	31	27	4		
Interest on debt obligations ⁽¹⁾	243	46	91	69	37
Operating leases ⁽²⁾	327	86	127	58	56
Capital leases	28	2	3	2	21
Uncertain tax positions ⁽³⁾	13				13
Joint venture contributions	91	66	4	21	
Pension minimum funding ⁽⁴⁾	78	20	32	26	
Other post-employment benefits	13	3	4	3	3
Other compensation-related obligations ⁽⁵⁾	449	63	116	156	114
Total	\$ 2,861	313	381	832	1,335

(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.

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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 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.

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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, 2017, the company had total gross notional amounts of \$934 million of foreign currency contracts (primarily related to the British Pound, Euro, Kuwaiti Dinar, Indian Rupee, Philippine Peso and South Korean Won). The foreign currency contracts are of varying duration, none of which extend beyond December 2021. As of December 31, 2017, the company had total gross notional amounts of \$81 million associated with contractual foreign currency payment provisions that were deemed embedded derivatives. There were no commodity contracts outstanding as of December 31, 2017. 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

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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, 2017.

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.

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Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of Fluor Corporation

Opinion on Internal Control over Financial Reporting

We have audited Fluor Corporation's internal control over financial reporting as of December 31, 2017, 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). In our opinion, Fluor Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of Fluor Corporation as of December 31, 2017 and 2016, 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, 2017, and the related notes (collectively referred to as the "financial statements") of Fluor Corporation and our report dated February 20, 2018 expressed an unqualified opinion thereon.

Basis for Opinion

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 Fluor Corporation's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to Fluor Corporation in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. 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.

Definition and Limitations of Internal Control Over Financial Reporting

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.

/s/Ernst & Young LLP

Dallas, Texas
February 20, 2018

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Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting during the fourth quarter of the fiscal year ending December 31, 2017 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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 will be 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.

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 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 that will be contained in the section entitled "Corporate Governance Board of Directors Meetings and Committees Audit Committee" in our Proxy Statement.

Item 11. Executive Compensation

Information required by this item will be included in the following sections of our Proxy Statement for our 2018 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.

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The following table provides information as of December 31, 2017 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 ⁽¹⁾	5,069,956	\$ 60.08	12,819,674
Equity compensation plans not approved by stockholders			
Total	5,069,956	\$ 60.08	12,819,674

⁽¹⁾ Consists of the 2003 Executive Performance Incentive Plan (the "2003 Plan"), under which 131,811 shares are currently issuable upon exercise of outstanding options, warrants and rights, but under which no shares remain available for future issuance; the Amended and Restated 2008 Executive Performance Incentive Plan, under which 4,938,145 shares are currently issuable upon exercise of outstanding options, warrants and rights, and under which no shares remain for future issuance; and the 2017 Performance Incentive Plan, under which no securities are currently issuable upon exercise of outstanding options, warrants or rights, but under which 12,819,674 shares remain available for issuance.

The additional information required by this item will be 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 2018 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 will be included in the "Certain Relationships and Related Transactions" and "Board Independence" sections of the "Corporate Governance" portion of our Proxy Statement for our 2018 annual meeting of stockholders, which information is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services

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

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(a)

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

1. *Financial Statements:*

Our consolidated financial statements at December 31, 2017 and 2016 and for each of the three years in the period ended December 31, 2017 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**

Exhibit	Description
3.1	<u>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).</u>
3.2	<u>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).</u>
4.1	<u>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).</u>
4.2	<u>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).</u>
4.3	<u>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).</u>
4.4	<u>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).</u>
4.5	<u>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).</u>
10.1	<u>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).</u>
10.2	<u>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).</u>

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Exhibit	Description
10.3	<u>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).</u>
10.4	<u>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).</u>
10.5	<u>Form of Option Agreement (2017 grants) under the Fluor Corporation Amended and Restated 2008 Executive Performance Incentive Plan (incorporated by reference to Exhibit 10.6 to the registrant's Annual Report on Form 10-K filed on February 17, 2017).</u>
10.6	<u>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).</u>
10.7	<u>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).</u>
10.8	<u>Form of Value Driver Incentive Award Agreement (2017 grants) under the Fluor Corporation Amended and Restated 2008 Executive Performance Incentive Plan (incorporated by reference to Exhibit 10.9 to the registrant's Annual Report on Form 10-K filed on February 17, 2017).</u>
10.9	<u>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).</u>
10.10	<u>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).</u>
10.11	<u>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).</u>
10.12	<u>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).</u>
10.13	<u>Form of Restricted Stock Unit Agreement (2017 grants) under the Fluor Corporation Amended and Restated 2008 Executive Performance Incentive Plan (incorporated by reference to Exhibit 10.14 to the registrant's Annual Report on Form 10-K filed on February 17, 2017).</u>
10.14	<u>Fluor Corporation 2017 Performance Incentive Plan (incorporated by reference to Exhibit 10.1 to the registrant's Registration Statement on Form S-8 filed on May 4, 2017).</u>
10.15	<u>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).</u>

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Exhibit	Description
10.16	<u>Fluor 409A Executive Deferred Compensation Program, as amended and restated effective January 1, 2017 (incorporated by reference to Exhibit 10.16 to the registrant's Quarterly Report on Form 10-Q filed on November 2, 2017).</u>
10.17	<u>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).</u>
10.18	<u>Retention Award, dated November 16, 2017, granted to Mr. Garry W. Flowers.*</u>
10.19	<u>Retirement and Release Agreement, effective February 8, 2018, between the registrant and Biggs C. Porter.*</u>
10.20	<u>Summary of Fluor Corporation Non-Management Director Compensation.*</u>
10.21	<u>Form of Restricted Stock Unit Agreement granted to directors under the Fluor Corporation 2017 Performance Incentive Plan (incorporated by reference to Exhibit 10.19 to the registrant's Quarterly Report on Form 10-Q filed on August 3, 2017).</u>
10.22	<u>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).</u>
10.23	<u>Fluor Corporation 409A Director Deferred Compensation Program, as amended and restated effective as of November 2, 2016 (incorporated by reference to Exhibit 10.22 to the registrant's Annual Report on Form 10-K filed on February 17, 2017).</u>
10.24	<u>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).</u>
10.25	<u>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).</u>
10.26	<u>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).</u>
10.27	<u>\$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).</u>
10.28	<u>\$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).</u>
21.1	<u>Subsidiaries of the registrant.*</u>
23.1	<u>Consent of Independent Registered Public Accounting Firm.*</u>
31.1	<u>Certification of Chief Executive Officer of Fluor Corporation.*</u>
31.2	<u>Certification of Chief Financial Officer of Fluor Corporation.*</u>

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Exhibit	Description
32.1	<u>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.*</u>
32.2	<u>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.*</u>
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, 2017, 2016 and 2015, (ii) the Consolidated Balance Sheet at December 31, 2017 and December 31, 2016, (iii) the Consolidated Statement of Cash Flows for the years ended December 31, 2017, 2016 and 2015 and (iv) the Consolidated Statement of Equity for the years ended December 31, 2017, 2016 and 2015.

Item 16. Form 10-K Summary

Not applicable.

Peter J. Fluor

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Signature	Title	Date
<u>/s/ JAMES T. HACKETT</u> James T. Hackett	Director	February 20, 2018
<u>/s/ SAMUEL J. LOCKLEAR</u> Samuel J. Locklear	Director	February 20, 2018
<u>/s/ DEBORAH D. MCWHINNEY</u> Deborah D. McWhinney	Director	February 20, 2018
<u>/s/ ARMANDO J. OLIVERA</u> Armando J. Olivera	Director	February 20, 2018
<u>/s/ JOSEPH W. PRUEHER</u> Joseph W. Prueher	Director	February 20, 2018
<u>/s/ MATTHEW K. ROSE</u> Matthew K. Rose	Director	February 20, 2018
<u>/s/ NADER H. SULTAN</u> Nader H. Sultan	Director	February 20, 2018
<u>/s/ LYNN C. SWANN</u> Lynn C. Swann	Director	February 20, 2018

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FLUOR CORPORATION
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Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of Fluor Corporation

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Fluor Corporation (the Company) as of December 31, 2017 and 2016, 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, 2017, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2017 and 2016, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2017, 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) (PCAOB), the Company's internal control over financial reporting as of December 31, 2017, 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 20, 2018 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/Ernst & Young LLP

We have served as the Company's auditor since 1973.

Dallas, Texas
February 20, 2018

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FLUOR CORPORATION
CONSOLIDATED STATEMENT OF EARNINGS

(in thousands, except per share amounts)	Year Ended December 31,		
	2017	2016	2015
TOTAL REVENUE	\$ 19,520,970	\$ 19,036,525	\$ 18,114,048
TOTAL COST OF REVENUE	18,902,480	18,246,209	17,019,352
OTHER (INCOME) AND EXPENSES			
Gain related to a partial sale of a subsidiary			(68,162)
Pension settlement charge			239,896
Corporate general and administrative expense	192,187	191,073	168,329
Interest expense	67,638	69,689	44,770
Interest income	(27,776)	(17,046)	(16,689)
Total cost and expenses	19,134,529	18,489,925	17,387,496
EARNINGS FROM CONTINUING OPERATIONS BEFORE TAXES	386,441	546,600	726,552
INCOME TAX EXPENSE	121,972	219,151	245,888
EARNINGS FROM CONTINUING OPERATIONS	264,469	327,449	480,664
LOSS FROM DISCONTINUED OPERATIONS, NET OF TAX			(5,658)
NET EARNINGS	264,469	327,449	475,006
LESS: NET EARNINGS ATTRIBUTABLE TO NONCONTROLLING INTERESTS	73,092	46,048	62,494
NET EARNINGS ATTRIBUTABLE TO FLUOR CORPORATION	\$ 191,377	\$ 281,401	\$ 412,512
AMOUNTS ATTRIBUTABLE TO FLUOR CORPORATION			
Earnings from continuing operations	\$ 191,377	\$ 281,401	\$ 418,170
Loss from discontinued operations, net of tax			(5,658)
Net earnings	\$ 191,377	\$ 281,401	\$ 412,512
BASIC EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO FLUOR CORPORATION			
Earnings from continuing operations	\$ 1.37	\$ 2.02	\$ 2.89
Loss from discontinued operations, net of tax			(0.04)
Net earnings	\$ 1.37	\$ 2.02	\$ 2.85
DILUTED EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO FLUOR CORPORATION			
Earnings from continuing operations	\$ 1.36	\$ 2.00	\$ 2.85
Loss from discontinued operations, net of tax			(0.04)

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Net earnings	\$	1.36	\$	2.00	\$	2.81
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SHARES USED TO CALCULATE EARNINGS PER SHARE

Basic		139,761		139,171		144,805
Diluted		140,893		140,912		146,722

DIVIDENDS DECLARED PER SHARE	\$	0.84	\$	0.84	\$	0.84
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See Notes to Consolidated Financial Statements.

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FLUOR CORPORATION
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in thousands)	Year Ended December 31,		
	2017	2016	2015
NET EARNINGS	\$ 264,469	\$ 327,449	\$ 475,006
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX:			
Foreign currency translation adjustment	74,424	(64,380)	(104,595)
Ownership share of equity method investees' other comprehensive income (loss)	(701)	6,036	(7,513)
Defined benefit pension and postretirement plan adjustments	15,609	(5,137)	162,615
Unrealized gain (loss) on derivative contracts	4,743	(662)	(126)
Unrealized gain (loss) on available-for-sale securities	(444)	207	(211)
TOTAL OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX	93,631	(63,936)	50,170
COMPREHENSIVE INCOME	358,100	263,513	525,176
LESS: COMPREHENSIVE INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	72,296	46,006	61,227
COMPREHENSIVE INCOME ATTRIBUTABLE TO FLUOR CORPORATION	\$ 285,804	\$ 217,507	\$ 463,949

See Notes to Consolidated Financial Statements.

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FLUOR CORPORATION
CONSOLIDATED BALANCE SHEET

(in thousands, except share and per share amounts)	December 31, 2017	December 31, 2016
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents (\$516,046 and \$439,942 related to variable interest entities ("VIEs"))	\$ 1,804,075	\$ 1,850,436
Marketable securities, current (\$91,295 and \$48,155 related to VIEs)	161,134	111,037
Accounts and notes receivable, net (\$327,652 and \$232,242 related to VIEs)	1,602,751	1,700,224
Contract work in progress (\$132,500 and \$124,677 related to VIEs)	1,458,533	1,537,289
Other current assets (\$9,229 and \$24,017 related to VIEs)	574,764	411,284
Total current assets	5,601,257	5,610,270
PROPERTY, PLANT AND EQUIPMENT		
Land	82,794	77,985
Buildings and improvements	493,704	490,047
Machinery and equipment	1,501,452	1,364,231
Furniture and fixtures	155,423	157,104
Construction in progress	62,237	50,047
	2,295,610	2,139,414
Less accumulated depreciation	1,201,929	1,122,191
Net property, plant and equipment (\$44,004 and \$53,728 related to VIEs)	1,093,681	1,017,223
OTHER ASSETS		
Marketable securities, noncurrent	113,622	143,553
Goodwill	564,683	532,239
Investments	878,863	740,385
Deferred taxes	316,472	454,109
Deferred compensation trusts	381,826	348,487
Other (\$27,631 and \$24,248 related to VIEs)	377,288	370,151
Total other assets	2,632,754	2,588,924
TOTAL ASSETS	\$ 9,327,692	\$ 9,216,417
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Trade accounts payable (\$258,592 and \$221,601 related to VIEs)	\$ 1,512,740	\$ 1,590,506
Revolving credit facility and other borrowings	27,361	82,243
Advance billings on contracts (\$361,701 and \$263,393 related to VIEs)	874,036	763,774
Accrued salaries, wages and benefits (\$32,678 and \$35,573 related to VIEs)	706,520	734,649
Other accrued liabilities (\$44,211 and \$32,015 related to VIEs)	453,513	644,857
Total current liabilities	3,574,170	3,816,029
LONG-TERM DEBT DUE AFTER ONE YEAR	1,591,598	1,517,949
NONCURRENT LIABILITIES	669,525	639,608
CONTINGENCIES AND COMMITMENTS		
EQUITY		

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FLUOR CORPORATION
CONSOLIDATED STATEMENT OF CASH FLOWS

(in thousands)	Year Ended December 31,		
	2017	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Net earnings	\$ 264,469	\$ 327,449	\$ 475,006
Adjustments to reconcile net earnings to cash provided (utilized) by operating activities:			
Loss from discontinued operations, net of taxes			5,658
Pension settlement charge			239,896
Depreciation of fixed assets	206,113	211,095	188,700
Amortization of intangibles	19,156	14,818	1,038
(Earnings) loss from equity method investments, net of distributions	2,849	12,180	(1,597)
Gain related to a partial sale of a subsidiary			(68,162)
Gain on sale of property, plant and equipment	(22,746)	(21,604)	(31,272)
Amortization of stock-based awards	40,669	40,086	61,053
Deferred compensation trust	(49,539)	(22,332)	44,298
Deferred compensation obligation	52,615	29,323	(6,854)
Statute expirations and tax settlements		(13,280)	(7,827)
Deferred taxes	100,286	(7,912)	4,675
Net retirement plan accrual (contributions)	(8,846)	(1,756)	(37,805)
Changes in operating assets and liabilities	(11,899)	135,393	303,896
Cash outflows from discontinued operations			(316,195)
Other items	8,844	2,459	(5,376)
Cash provided by operating activities	601,971	705,919	849,132
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of marketable securities	(237,360)	(359,986)	(386,021)
Proceeds from the sales and maturities of marketable securities	216,436	522,094	411,380
Capital expenditures	(283,107)	(235,904)	(240,220)
Proceeds from disposal of property, plant and equipment	96,102	81,162	94,323
Proceeds from sale of buildings			82,082
Proceeds from a partial sale of a subsidiary			45,566
Investments in partnerships and joint ventures	(273,117)	(518,220)	(91,078)
Acquisitions, net of cash acquired		(240,740)	
Other items	(3,232)	10,243	17,461
Cash utilized by investing activities	(484,278)	(741,351)	(66,507)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repurchase of common stock		(9,718)	(509,658)
Dividends paid	(117,995)	(117,995)	(125,204)
Proceeds from issuance of 1.75% Senior Notes		552,958	
Debt and credit facility issuance costs		(3,513)	
Repayment of Stork Notes, convertible debt and other borrowings		(333,654)	(28,425)
Borrowings under revolving lines of credit		882,142	
Repayment of borrowings under revolving lines of credit	(53,455)	(917,027)	
Distributions paid to noncontrolling interests	(47,215)	(57,904)	(58,986)
Capital contributions by noncontrolling interests	6,397	9,072	5,254

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Taxes paid on vested restricted stock	(6,186)	(7,007)	(8,400)
Stock options exercised	9,380	3,658	1,780
Other items	(6,428)	(11,362)	(4,591)
Cash utilized by financing activities	(215,502)	(10,350)	(728,230)
Effect of exchange rate changes on cash	51,448	(53,668)	(97,634)
Decrease in cash and cash equivalents	(46,361)	(99,450)	(43,239)
Cash and cash equivalents at beginning of year	1,850,436	1,949,886	1,993,125
Cash and cash equivalents at end of year	\$ 1,804,075	\$ 1,850,436	\$ 1,949,886

See Notes to Consolidated Financial Statements.

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FLUOR CORPORATION
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in thousands, except per share amounts)	Common Stock		Accumulated Other Comprehensive Income		Retained Earnings	Total Shareholders' Equity	Noncontrolling Interests	Total Equity
	Shares	Amount	Additional Paid-In Capital	(Loss)				
<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
Net earnings					191,377	191,377	73,092	264,469
Other comprehensive income (loss)				94,427		94,427	(796)	93,631
Dividends (\$0.84 per share)			374		(118,596)	(118,222)		(118,222)
Distributions to noncontrolling interests							(47,215)	(47,215)
Capital contributions by noncontrolling interests							6,397	6,397
Other noncontrolling interest transactions			1,610			1,610	971	2,581
Stock-based plan activity	660	6	47,921			47,927		47,927
<i>BALANCE AS OF</i> <i>DECEMBER 31, 2017</i>	139,918	\$ 1,399	\$ 88,222	\$ (402,242)	\$ 3,654,931	\$ 3,342,310	\$ 150,089	\$ 3,492,399

See Notes to Consolidated Financial Statements.

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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 primarily 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 construction partnerships and joint ventures, 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 disclosed in 2016 and 2015 have been reclassified to conform to the 2017 presentation. 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 unless they are expected to be recovered from the client. 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 \$337 million and \$382 million as of December 31, 2017 and 2016, 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, 2017 will be billed and collected in 2018.

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.

Table of Contents**FLUOR CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)***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 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, up to the total funding award of \$217 million. The company anticipates that it will have received cost reimbursements from the DOE totaling \$217 million by the end of the first quarter of 2018. 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	
	2017	2016		
Buildings	\$ 316,398	\$ 322,495	20	40
Building and leasehold improvements	177,306	167,552	6	20
Machinery and equipment	1,501,452	1,364,231	2	10
Furniture and fixtures	155,423	157,104	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 compares the fair value of each reporting unit with its carrying amount. If the carrying amount of a reporting unit exceeds its fair value, an impairment loss is recognized. During 2017, 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). The increase in goodwill during 2017 was entirely related to foreign currency translation gains. Goodwill for each of the company's segments is presented in Note 17.

In September 2017, the company voluntarily changed the date of its annual goodwill impairment testing for all reporting units previously assessed as of March 1 to October 1. Prior to this change, goodwill impairment testing for certain reporting units was performed as of March 1, while goodwill impairment testing for certain recent acquisitions was performed as of October 1. This voluntary change is preferable as it better aligns the timing of the goodwill impairment testing with the completion of the company's strategic and annual operating planning process. The voluntary change in accounting principle related to

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the annual testing date will not delay, accelerate or avoid an impairment charge. This change is not applied retrospectively as it is impracticable to do so because retrospective application would require application of significant estimates and assumptions with the use of hindsight. Accordingly, the change will be applied prospectively.

The following table provides a summary of the net carrying value of acquired intangible assets as of December 31, 2017 and 2016, including the weighted average life of each major intangible asset class, in years:

(in thousands)	December 31,		Weighted Average Life
	2017	2016	
Customer relationships (finite-lived)	\$ 103,374	\$ 111,616	8
Trade names (finite-lived)	7,279	8,034	13
Trade names (indefinite-lived)	53,004	47,425	
In-process research and development (indefinite-lived)	16,900	19,038	
Other (finite-lived)	7,795	4,184	10
Total intangible assets	\$ 188,352	\$ 190,297	

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 \$19 million during 2018, 2019, 2020 and 2021 and \$18 million during 2022. 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, 2017, 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

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FLUOR CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Service and various state governments could differ materially from that which is reflected in the Consolidated Financial Statements.

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 derivatives or hedging instruments to mitigate the risk. The company's 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. For derivatives that are not designated or do not qualify as hedging instruments, the change in the fair value of the derivative is offset against the change in the fair value of the underlying asset or liability through 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.

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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.

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,								
	2017			2016			2015		
	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	\$ 110,291	\$ (35,867)	\$ 74,424	\$ (102,707)	\$ 38,327	\$ (64,380)	\$ (166,487)	\$ 61,892	\$ (104,595)
Ownership share of equity method investees' other comprehensive income (loss)	(1,163)	462	(701)	8,734	(2,698)	6,036	(12,226)	4,713	(7,513)
Defined benefit pension and postretirement plan adjustments	22,052	(6,443)	15,609	(5,518)	381	(5,137)	257,414	(94,799)	162,615
Unrealized gain (loss) on derivative contracts	7,593	(2,850)	4,743	(1,064)	402	(662)	(302)	176	(126)
Unrealized gain (loss) on available-for-sale securities	(711)	267	(444)	332	(125)	207	(337)	126	(211)
Total other comprehensive income (loss)	138,062	(44,431)	93,631	(100,223)	36,287	(63,936)	78,062	(27,892)	50,170
Less: Other comprehensive loss attributable to noncontrolling interests	(796)		(796)	(42)		(42)	(1,267)		(1,267)
Other comprehensive income (loss) attributable to Fluor Corporation	\$ 138,858	\$ (44,431)	\$ 94,427	\$ (100,181)	\$ 36,287	\$ (63,894)	\$ 79,329	\$ (27,892)	\$ 51,437

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FLUOR CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The changes in AOCI balances by component (after-tax) for the year ended December 31, 2017 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
Attributable to Fluor Corporation:						
Balance as of December 31, 2016	\$ (286,449)	\$ (31,913)	\$ (167,667)	\$ (10,375)	\$ (265)	\$ (496,669)
Other comprehensive income (loss) before reclassifications	75,272	(2,001)	11,456	5,499	(497)	89,729
Amount reclassified from AOCI		1,300	4,153	(808)	53	4,698
Net other comprehensive income (loss)	75,272	(701)	15,609	4,691	(444)	94,427
Balance as of December 31, 2017	\$ (211,177)	\$ (32,614)	\$ (152,058)	\$ (5,684)	\$ (709)	\$ (402,242)
Attributable to Noncontrolling Interests:						
Balance as of December 31, 2016	\$ (614)		\$	\$ (52)		\$ (666)
Other comprehensive income (loss) before reclassifications	(848)			13		(835)
Amount reclassified from AOCI				39		39
Net other comprehensive income (loss)	(848)			52		(796)
Balance as of December 31, 2017	\$ (1,462)		\$	\$		\$ (1,462)

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
Attributable to Fluor Corporation:						
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)

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Attributable to Noncontrolling Interests:							
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)

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FLUOR CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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
Attributable to Fluor Corporation:						
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
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)

During 2017, functional currency exchange rates for most of the company's international operations strengthened against the U.S. dollar, resulting in unrealized translation gains. During 2016 and 2015, functional currency exchange rates for most of the company's international operations weakened against the U.S. dollar, resulting in unrealized translation losses.

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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,		
		2017	2016	2015
Component of AOCI:				
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	\$ (1,713)	\$	\$ (1,487)
Income tax benefit	Income tax expense	413		
Net of tax		\$ (1,300)	\$	\$ (1,487)
Defined benefit pension plan adjustments	Various accounts ⁽¹⁾	\$ (6,638)	\$ (7,602)	\$ (268,795)
Income tax benefit	Income tax expense	2,485	2,851	100,798
Net of tax		\$ (4,153)	\$ (4,751)	\$ (167,997)
Unrealized gain (loss) on derivative contracts:				
Commodity and foreign currency contracts	Total cost of revenue	\$ 2,956	\$ (6,388)	\$ (3,490)
Interest rate contracts	Interest expense	(1,678)	(1,678)	(1,678)
Income tax benefit (net)	Income tax expense	(509)	2,944	1,933
Net of tax:		769	(5,122)	(3,235)
Less: Noncontrolling interests	Net earnings attributable to noncontrolling interests	(39)	(299)	(276)
Net of tax and noncontrolling interests		\$ 808	\$ (4,823)	\$ (2,959)
Unrealized gain on available-for-sale securities	Corporate general and administrative expense	\$ (85)	\$ 168	\$ 152
Income tax expense	Income tax expense	32	(63)	(57)
Net of tax		\$ (53)	\$ 105	\$ 95

(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 2017 or requiring implementation in future periods are discussed below or in the related notes, where appropriate.

In the fourth quarter of 2017, the Securities and Exchange Commission ("SEC") staff issued Staff Accounting Bulletin No. 118 ("SAB 118") to address the application of U.S. GAAP related to the enactment of the comprehensive tax legislation, commonly referred to as the Tax Cuts and Jobs Act (discussed in Note 4). SAB 118 allows a company to record a provisional amount when it does not have the necessary information available, prepared, or analyzed in reasonable detail to complete the accounting for the change in the tax law. The measurement period ends when the company has obtained, prepared and analyzed the information necessary to finalize the accounting, but cannot extend beyond one year. This guidance was adopted in the fourth quarter of 2017.

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FLUOR CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

In the third quarter of 2017, the company elected to adopt Accounting Standards Update ("ASU") 2017-04, "Simplifying the Test for Goodwill Impairment" before its effective date. ASU 2017-04 removes the second step of the goodwill impairment test, which requires a hypothetical purchase price allocation. 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. 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 the first quarter of 2017, the company adopted 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 variable interest entity. The adoption of ASU 2016-17 did not have any impact on the company's financial position, results of operations or cash flows.

In the first quarter of 2017, the company adopted ASU 2016-09, "Improvements to Employee Share-Based Payment Accounting." This ASU is intended to simplify various aspects of 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. As a result of the adoption of ASU 2016-09, the excess tax benefits and tax deficiencies associated with option exercises and vested share awards are now recognized as income tax benefit or expense in the Condensed Consolidated Statement of Earnings instead of in additional paid-in capital. Additionally, the excess tax benefits are now presented as an operating activity on the Condensed Consolidated Statement of Cash Flows, rather than as a financing activity. ASU 2016-09 also changed the method the company uses to calculate shares for diluted earnings per share (discussed further in Note 11). The company adopted the provision of ASU 2016-09 on a prospective basis; therefore, these changes were effective beginning in the first quarter of 2017. The adoption of ASU 2016-09 did not have a material impact on the company's financial position, results of operations or cash flows.

In the first quarter of 2017, the company adopted 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. The adoption of ASU 2016-07 did not have any impact on the company's financial position, results of operations or cash flows.

In the first quarter of 2017, the company adopted 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 redesignation of that hedge accounting relationship. The adoption of ASU 2016-05 did not have any impact on the company's financial position, results of operations or cash flows.

New accounting pronouncements requiring implementation in future periods are discussed below.

In February 2018, the Financial Accounting Standards Board ("FASB") issued ASU 2018-02, "Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income," which allows a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act. ASU 2018-02 is effective for interim and annual reporting periods beginning after December 15, 2018, with early adoption permitted. Management is currently evaluating the impact that the adoption of ASU 2018-02 will have on the company's financial position, results of operations and cash flows.

In August 2017, the FASB issued ASU 2017-12, "Targeted Improvements to Accounting for Hedging Activities." This ASU amends the FASB's hedge accounting model to enable entities to better portray their risk management activities in the financial statements. ASU 2017-12 expands an entity's ability to hedge

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FLUOR CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

nonfinancial and financial risk components and eliminates the requirement to separately measure and report hedge ineffectiveness. ASU 2017-12 is effective for interim and annual reporting periods beginning after December 15, 2018, with early adoption permitted. Management does not expect the adoption of ASU 2017-12 to have a material impact on the company's financial position, results of operations or cash flows.

In May 2017, the FASB issued ASU 2017-09, "Compensation - Stock Compensation (Topic 718): Scope of Modification Accounting," which clarifies when changes to the terms or conditions of a share-based payment award must be accounted for as a modification. Entities should apply the modification accounting guidance if the value, vesting conditions or classification of the award changes. ASU 2017-09 is effective for interim and annual reporting periods beginning after December 15, 2017. Early adoption is permitted and prospective application is required. Management does not expect the adoption of ASU 2017-09 to have a material impact on the company's financial position, results of operations or cash flows.

In March 2017, the FASB issued ASU 2017-07, "Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost." ASU 2017-07 requires employers to present the service cost component of net periodic benefit cost in the same income statement line item as other compensation costs arising from services rendered during the period. The other components of net periodic benefit cost are required to be presented separately from the service cost component. ASU 2017-07 is effective for interim and annual reporting periods beginning after December 15, 2017. Management does not expect the adoption of ASU 2017-07 to have a material 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 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

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FLUOR CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

interim and annual reporting periods beginning after December 15, 2019. Management does not expect the adoption of ASU 2016-13 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," and issued subsequent amendments to the initial guidance in September 2017 within ASU 2017-13 which continues to amend the existing guidance on accounting for leases. The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease, respectively. ASU 2016-02 also 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 and 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, 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. 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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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.

In February 2017, the FASB issued ASU 2017-05, "Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets," which clarifies that the scope and application of ASC 610-20 on accounting for the sale or transfer of nonfinancial assets and in substance nonfinancial assets to noncustomers, including partial sales, applies only when the asset (or asset group) does not meet the definition of a business. ASU 2017-05, 2016-20, 2016-12, 2016-10 and 2016-08 are effective upon adoption of ASU 2014-09. The company will adopt ASU 2014-09 during the first quarter of 2018 using the modified retrospective method that will result in a cumulative effect adjustment as of the date of adoption.

In September 2017, the FASB issued ASU 2017-13, "Amendments to SEC Paragraphs Pursuant to the Staff Announcement at the July 20, 2017 EITF Meeting and Rescission of Prior SEC Staff Announcements and Observer Comments," which also provides additional implementation guidance on the previously issued ASU 2014-09. The amendments represent guidance related to the effective dates of the standards noted above, therefore, the amendments themselves do not have an effective date.

In 2014, the company established a cross-functional implementation team which included representatives from the company's four operating segments. The implementation team has evaluated the impact of adopting the new standard on the company's contracts expected to be uncompleted as of January 1, 2018 (the date of adoption). The evaluation included reviewing the company's accounting policies and practices to identify differences that would result from applying the requirements of the new standard. The company has identified and made changes to its processes, systems and controls to support recognition and disclosure under the new standard. The implementation team has worked closely with various industry groups to conclude on certain interpretative issues.

Management continues to evaluate the impact of adopting ASU 2014-09, 2016-08, 2016-10, 2016-12, 2016-20, 2017-05 and 2017-13 on the company's financial position, results of operations, cash flows and related disclosures. Under the new standard, the company will continue to recognize engineering and construction contract revenue over time using the percentage-of-completion method, based primarily on contract cost incurred to date compared to total estimated contract cost. Revenue on the majority of the company's contracts will continue to be recognized over time because of the continuous transfer of control to the customer. However, adoption of the new standard will 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 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. Based on the company's most recent assessment of existing contracts, the adoption of ASU 2014-09 is expected to result in a cumulative effect adjustment to decrease retained earnings by a range of \$300 million to \$350 million as of January 1, 2018.

Table of Contents**FLUOR CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****2. Discontinued Operations**

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 of St. Joe Minerals Corporation and The Doe Run Company in Herculaneum, Missouri, which the company sold in 1994, 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.

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,		
	2017	2016	2015
(Increase) decrease in:			
Accounts and notes receivable, net	\$ 162,655	\$ (337,775)	\$ 190,141
Contract work in progress	140,556	(72,419)	80,742
Other current assets	(138,638)	19,311	(20,861)
Other assets	(3,944)	250,332	(54,726)
Increase (decrease) in:			
Trade accounts payable	(137,441)	200,480	(57,317)
Advance billings on contracts	60,808	43,985	243,996
Accrued liabilities	(65,207)	40,088	(38,529)
Other liabilities	(30,688)	(8,609)	(39,550)
Increase (decrease) in cash due to changes in operating assets and liabilities	\$ (11,899)	\$ 135,393	\$ 303,896
Cash paid during the year for:			
Interest	\$ 61,560	\$ 72,057	\$ 40,585
Income taxes (net of refunds)	175,045	164,836	249,921

4. Income Taxes

The Tax Cuts and Jobs Act ("the Act") was enacted into law on December 22, 2017. Income tax effects resulting from changes in tax laws are accounted for by the company in accordance with the authoritative guidance, which requires that these tax effects be recognized in the period in which the law is enacted and the effects are recorded as a component of the provision for income taxes from continuing operations. As a result, the company recorded provisions for income tax resulting from the enactment of the Act for the year ended December 31, 2017, as described below.

As of December 31, 2017, the company had not fully completed its accounting for the tax effects of the enactment of the Act. The company's provision for income taxes for the year ended December 31, 2017 is based in part on a reasonable estimate of the effects on its transition tax and existing deferred tax balances. For the amounts that the company was able to reasonably estimate, the company recognized tax expense of \$37 million relating to the enactment of the Act. As the company completes its analysis of the Act, collects and prepares necessary data, and interprets any additional guidance issued by the U.S. Treasury Department, the U.S. Internal Revenue Service ("IRS"), and other standard-setting bodies, the company may make adjustments to the provisional amounts. These amounts may materially impact the company's

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

provision for income taxes in the period in which adjustments are made. The primary components of the \$37 million tax expense resulting from the Act include:

Tax expense in the amount of \$76 million related to the revaluation of deferred tax assets and liabilities due to the reduction of the U.S. corporate tax rate from 35% to 21% under the Act.

A tax benefit of \$39 million as a result of the one-time transition tax on previously unremitted foreign earnings. This included the release of deferred tax liabilities for unremitted foreign earnings, which exceeded \$34 million of additional tax on the one-time transition tax. The transition tax deems a repatriation of the post-1986 earnings and profits not previously distributed (or deemed distributed). The company has made adjustments related to the withholding taxes that would be imposed by foreign jurisdictions should the deemed repatriations be followed by actual cash repatriations but has not made any policy decisions regarding whether to indefinitely reinvest any amounts deemed repatriated. While the company has accrued the transition tax on the deemed repatriation of unremitted foreign earnings, the company was unable to determine a reasonable estimate of the remaining tax liability, if any, under the Act for its remaining outside basis differences. Therefore, the company has not included a provisional amount for this item in its financial statements for the year ended December 31, 2017. The company will record amounts as needed for this item beginning in the first reporting period during the measurement period in which the company obtains necessary information and is able to analyze and prepare a reasonable estimate.

The Act includes provisions for Global Intangible Low-Taxed Income ("GILTI"), under which taxes on foreign income are imposed in excess of a deemed return on tangible assets of foreign corporations. In general this income will effectively be taxed at a 10.5% tax rate. As a result, the company's deferred tax assets and liabilities are being evaluated to determine if the deferred tax assets and liabilities should be recognized for the basis differences expected to reverse as a result of GILTI provisions that are effective for the company after the year ending December 31, 2017. Because of the complexity of the new GILTI tax rules, the company is continuing to evaluate this provision of the Act and the application of the relevant U.S. GAAP provisions. Under U.S. GAAP, the company is allowed to make an accounting policy election of either (i) treating taxes due on future U.S. inclusions in taxable income related to GILTI as a current-period expense when incurred (the "period cost method"), or (ii) factoring such amounts into a company's measurement of its deferred taxes (the "deferred method"). Currently, the company has not elected a method and will only do so after its completion of the analysis of the GILTI provisions. Its election method will depend, in part, on analyzing its global income to determine whether the company expects to have future U.S. inclusions in its taxable income related to GILTI and, if so, the impact that is expected.

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

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

(in thousands)	Year Ended December 31,		
	2017	2016	2015
Current:			
Federal	\$ (119,875)	\$ 120,798	\$ 22,465
Foreign	145,064	95,198	203,125
State and local	(3,503)	11,067	15,623
Total current	21,686	227,063	241,213
Deferred:			
Federal	15,720	58,601	8,867
Foreign	75,688	(65,656)	(5,630)
State and local	8,878	(857)	1,438
Total deferred	100,286	(7,912)	4,675
Total income tax expense	\$ 121,972	\$ 219,151	\$ 245,888

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

(in thousands)	Year Ended December 31,		
	2017	2016	2015
U.S. statutory federal tax expense	\$ 135,255	\$ 191,310	\$ 254,293
Increase (decrease) in taxes resulting from:			
State and local income taxes	6,326	5,785	11,518
Other permanent items, net	(1,072)	(11,101)	(5,828)
Worthless stock	(15,175)		
Noncontrolling interests	(25,582)	(16,117)	(21,873)
Foreign losses, net	(1,055)	24,288	8,640
Valuation allowance, net	22,860	6,978	5,611
Statute expirations and tax authority settlements		(13,280)	(7,827)
Revaluation due to Section 987 tax law change		24,156	
Impact of tax reform	37,423		
International restructuring	(46,295)		
Other, net	9,287	7,132	1,354
Total income tax expense	\$ 121,972	\$ 219,151	\$ 245,888

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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,	
	2017	2016
Deferred tax assets:		
Accrued liabilities not currently deductible:		
Employee compensation and benefits	\$ 28,410	\$ 117,981
Employee time-off accrual	58,500	94,134
Project and non-project reserves	40,966	46,219
Tax basis of investments in excess of book basis		69,195
Net operating loss carryforward	184,517	180,450
U.S. foreign tax credit carryforward	168,027	
Other comprehensive loss	71,537	271,878
Other	66,286	34,147
Total deferred tax assets	618,243	814,004
Valuation allowance for deferred tax assets	(99,529)	(81,360)
Deferred tax assets, net	\$ 518,714	\$ 732,644
Deferred tax liabilities:		
Book basis of property, equipment and other capital costs in excess of tax basis	(86,780)	(88,262)
Residual U.S. tax on unremitted non-U.S. earnings		(161,827)
Dividend withholding on unremitted non-U.S. earnings	(42,201)	
Other	(73,261)	(28,446)
Total deferred tax liabilities	(202,242)	(278,535)
Deferred tax assets, net of deferred tax liabilities	\$ 316,472	\$ 454,109

The company had non-U.S. net operating loss carryforwards related to various jurisdictions of approximately \$794 million as of December 31, 2017. Of the total losses, \$557 million can be carried forward indefinitely and \$237 million will begin to expire in various jurisdictions starting in 2018.

The company had U.S. foreign tax credits of approximately \$168 million as of December 31, 2017, which will expire in 2028.

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 2017 and 2016 is primarily due to the deferred tax assets established for certain net operating loss carryforwards and certain reserves on investments. In 2017 and 2016, the company released valuation allowances on branch net operating losses of \$5 million and \$127 million, respectively. In 2016, the 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. This release did not impact total tax expense as it related to branch income which is included in the U.S. tax return.

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 in 2016.

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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 IRS for tax years 2012-2013. This resulted in a net reduction in tax expense of \$11 million.

The unrecognized tax benefits as of December 31, 2017 and 2016 were \$61 million and \$59 million, of which \$13 million and \$9 million, if recognized, would have favorably impacted the effective tax rates at the end of 2017 and 2016, 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)	2017	2016
Balance at beginning of year	\$ 58,881	\$ 42,203
Change in tax positions of prior years	3,024	30,034
Change in tax positions of current year		
Reduction in tax positions for statute expirations		(1,044)
Reduction in tax positions for audit settlements	(1,249)	(12,312)
Balance at end of year	\$ 60,656	\$ 58,881

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, 2017 and 2016.

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

(in thousands)	Year Ended December 31,		
	2017	2016	2015
United States	\$ (222,979)	\$ (33,414)	\$ 12,520
Foreign	609,420	580,014	714,032
Total	\$ 386,441	\$ 546,600	\$ 726,552

Earnings from continuing operations before taxes in the United States decreased in 2017 compared to 2016 primarily due to pre-tax charges totaling \$260 million related to forecast revisions for estimated cost growth at three fixed-price, gas-fired power plants in the southeastern United States. Earnings from continuing operations before taxes in foreign jurisdictions were relatively flat as compared to 2016. 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.

5. Retirement Benefits

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

Table of Contents**FLUOR CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)***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 \$165 million, \$167 million and \$146 million associated with contributions to its defined contribution retirement plans during 2017, 2016 and 2015, 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 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,		
	2017	2016	2015	2017	2016	2015
Service cost	\$	\$	\$ 6,800	\$ 18,780	\$ 19,507	\$ 20,517
Interest cost			16,116	22,525	26,435	26,511
Expected return on assets			(19,711)	(40,272)	(39,535)	(49,066)
Amortization of prior service cost/(credits)			867	(828)	(813)	(814)
Recognized net actuarial loss			9,714	7,890	8,819	7,681
Loss on settlement			250,946	184	396	390
Net periodic pension expense	\$	\$	\$ 264,732	\$ 8,279	\$ 14,809	\$ 5,219

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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 investment manager forecasts are established for all relevant asset classes 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,		
	2017	2016	2015	2017	2016	2015
For determining projected benefit obligation at year-end:						
Discount rates	N/A	N/A	N/A	1.90-5.50%	1.90-5.00%	2.35-5.50%
Rates of increase in compensation levels	N/A	N/A	N/A	2.25-7.00%	2.25-7.00%	2.25-7.00%
For determining net periodic cost for the year:						
Discount rates	N/A	N/A	1.95%	1.90-5.00%	1.90-5.50%	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%
Expected long-term rates of return on assets	N/A	N/A	2.95%	1.90-7.40%	4.30-7.00%	4.90-7.00%

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 \$25 million to its defined benefit pension plans in 2018, 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 \$57 million.

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

	December 31,		
	Target Allocation	2017	2016
Asset category:			
Debt securities	65% - 75%	68%	68%
Equity securities	20% - 30%	25%	26%
Other	0% - 10%	7%	6%
Total		100%	100%

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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.

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, 2017 and 2016, 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	

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

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.

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 defined benefit pension plans that are measured at fair value on a recurring basis as of December 31, 2017 and 2016:

(in thousands)	December 31, 2017				December 31, 2016			
	Total	Fair Value Hierarchy			Total	Fair Value Hierarchy		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
Assets:								
Equity securities:								
Common stock	\$ 4,806	\$ 4,806		\$	\$ 3,187	\$ 3,187		\$
Debt securities:								
Corporate bonds	155,337		155,337		139,243		139,243	
Government securities	305,831		305,831		276,266		276,266	
Other:								
Guaranteed investment contracts	21,030			21,030	19,075			19,075
Foreign currency contracts and other	12,225		12,225		5,244		5,244	
Liabilities:								
Debt securities:								
Repurchase agreements	(110,282)		(110,282)		(107,328)		(107,328)	
Other:								
Foreign currency contracts and other	(11,138)		(11,138)		(5,113)		(5,113)	
Plan assets measured at fair value, net	\$ 377,809	\$ 4,806	\$ 351,973	\$ 21,030	\$ 330,574	\$ 3,187	\$ 308,312	\$ 19,075
Plan assets measured at net asset value:								
CCTs equity securities	265,647				240,203			
CCTs debt securities	380,419				337,265			
CCTs other	58,900				41,744			
Plan assets not measured at fair value, net	3,431				1,161			
Total plan assets, net	\$ 1,086,206				\$ 950,947			

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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)	2017	2016
Balance at beginning of year	\$ 19,075	\$
Actual return on plan assets:		
Assets still held at reporting date	3,388	(1,268)
Assets sold during the period		
Acquisitions		21,923
Purchases	16	
Sales		
Settlements	(1,449)	(1,580)
Balance at end of year	\$ 21,030	\$ 19,075

The following table presents expected benefit payments for the company's defined benefit pension plans:

(in thousands)

<u>Year Ended December 31,</u>	
2018	\$ 39,753
2019	39,055
2020	40,856
2021	52,848
2022	42,098
2023 - 2027	218,507

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Measurement dates for the company'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 plans:

(in thousands)	December 31,	
	2017	2016
Change in projected benefit obligation		
Benefit obligation at beginning of year	\$ 987,989	\$ 911,550
Service cost	18,780	19,507
Interest cost	22,525	26,435
Employee contributions	3,112	3,272
Currency translation	118,411	(80,418)
Actuarial (gain) loss	(15,437)	96,216
Plan amendments	(1,058)	
Benefits paid	(33,948)	(33,695)
Settlements	(2,281)	
Acquisitions		55,799
Other		(10,677)
Projected benefit obligation at end of year	1,098,093	987,989
Change in plan assets		
Plan assets at beginning of year	950,947	920,477
Actual return on plan assets	38,657	124,210
Company contributions	15,283	14,868
Employee contributions	3,112	3,272
Currency translation	114,436	(88,852)
Benefits paid	(33,948)	(33,695)
Settlements	(2,281)	
Acquisitions		21,923
Other		(11,256)
Plan assets at end of year	1,086,206	950,947
Funded Status (Under)/overfunded	\$ (11,887)	\$ (37,042)
Amounts recognized in the Consolidated Balance Sheet		
Pension assets included in other assets	\$ 40,212	\$ 30,977
Pension liabilities included in other accrued liabilities	(2,208)	(2,001)
Pension liabilities included in noncurrent liabilities	(49,891)	(66,018)
Accumulated other comprehensive loss (pre-tax)	\$ 235,495	\$ 231,225

During 2018, 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.

Projected benefit obligations exceeded plan assets for all defined benefit pension plans as of December 31, 2017, with the exception of the plan in the United Kingdom. In the aggregate, these plans had projected benefit obligations of \$702 million and plan assets with a fair value of \$650 million as of December 31, 2017.

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The total accumulated benefit obligation for all defined benefit pension plans as of December 31, 2017 and 2016 was \$1.0 billion and \$919 million, respectively. As of December 31, 2017 and 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 during 2016. Plan assets

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FLUOR CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

exceeded the accumulated benefit obligation for each of the other plans (including the company's legacy plan in the Netherlands) as of December 31, 2017 and 2016.

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 \$118 million, \$108 million and \$22 million during 2017, 2016 and 2015, respectively. The increase in contributions during 2017 and 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.

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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, 2017 and 2016:

(in thousands)	December 31, 2017				December 31, 2016			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Assets:								
Cash and cash equivalents ⁽¹⁾	\$ 1,301	\$ 701	\$ 600	\$	\$ 21,035	\$ 21,035	\$	\$
Marketable securities, current ⁽²⁾	57,783		57,783		54,840		54,840	
Deferred compensation trusts ⁽³⁾	23,256	23,256			37,510	37,510		
Marketable securities, noncurrent ⁽⁴⁾	113,622		113,622		143,553		143,553	
Derivative assets ⁽⁵⁾								
Commodity contracts					83		83	
Foreign currency contracts	29,766		29,766		34,776		34,776	
Liabilities:								
Derivative liabilities ⁽⁵⁾								
Commodity contracts	\$	\$	\$	\$	\$ 129	\$	\$ 129	\$
Foreign currency contracts	29,127		29,127		43,574		43,574	

(1) Consists of registered money market funds and investments in U.S. agency securities with maturities of three months or less at the date of purchase. The fair value of the money market funds represents the net asset value of the shares of such funds as of the close of business at the end of the period. The fair value of the investments in U.S. agency securities is based on pricing models, which are determined from a compilation of primarily observable market information, broker quotes in non-active markets or similar assets.

(2) Consists of investments in U.S. agency securities, U.S. Treasury securities, corporate debt securities and commercial paper 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 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.

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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 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, 2017: money market funds of \$1 million, U.S. agency securities of \$3 million, U.S. Treasury securities of \$69 million, corporate debt securities of \$97 million and commercial paper of \$3 million. As of December 31, 2016, available-for-sale securities consisted of 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. The

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amortized cost of these available-for-sale securities is not materially different from the fair value. During 2017, 2016 and 2015, proceeds from sales and maturities of available-for-sale securities were \$159 million, \$286 million and \$336 million, respectively.

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 for further discussion of nonrecurring fair value measurements related to the company's acquisition of Stork.

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, 2017		December 31, 2016	
		Carrying Value	Fair Value	Carrying Value	Fair Value
Assets:					
Cash ⁽¹⁾	Level 1	\$ 1,104,316	\$ 1,104,316	\$ 1,133,295	\$ 1,133,295
Cash equivalents ⁽²⁾	Level 2	698,458	698,458	696,106	696,106
Marketable securities, current ⁽³⁾	Level 2	103,351	103,351	56,197	56,197
Notes receivable, including noncurrent portion ⁽⁴⁾	Level 3	26,006	26,006	29,458	29,458
Liabilities:					
1.750% Senior Notes ⁽⁵⁾	Level 2	\$ 597,674	\$ 622,277	\$ 523,629	\$ 551,582
3.375% Senior Notes ⁽⁵⁾	Level 2	496,859	512,475	496,011	512,510
3.5% Senior Notes ⁽⁵⁾	Level 2	493,320	513,480	492,360	508,230
Revolving Credit Facility ⁽⁶⁾	Level 2			52,735	52,735
Other borrowings, including noncurrent portion ⁽⁷⁾	Level 2	31,106	31,106	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 were estimated based on quoted market prices for similar issues.

(6) Amounts represent borrowings under the company's €125 million Revolving Credit Facility which expired 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 primarily represent bank loans and other financing arrangements resulting from 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.

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FLUOR CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. Derivatives and Hedging

As of December 31, 2017, the company had total gross notional amounts of \$828 million of foreign currency contracts outstanding (primarily related to the British Pound, Kuwaiti Dinar, Indian Rupee, Philippine Peso and South Korean Won) that were designated as hedging instruments. The foreign currency contracts are of varying duration, none of which extend beyond December 2019. There were no commodity contracts outstanding as of December 31, 2017. The impact to earnings due to hedge ineffectiveness was immaterial for the years ended December 31, 2017, 2016 and 2015.

The fair values of derivatives designated as hedging instruments under ASC 815 as of December 31, 2017 and 2016 were as follows:

(in thousands)	Asset Derivatives			Liability Derivatives		
	Balance Sheet Location	December 31, 2017	December 31, 2016	Balance Sheet Location	December 31, 2017	December 31, 2016
Commodity contracts	Other current assets	\$	\$ 83	Other accrued liabilities	\$	\$ 129
Foreign currency contracts	Other current assets	18,667	13,231	Other accrued liabilities	19,046	16,543
Foreign currency contracts	Other assets	6,472	21,545	Noncurrent liabilities	8,654	27,031
Total		\$ 25,139	\$ 34,859		\$ 27,700	\$ 43,703

The pre-tax net gains (losses) recognized in earnings associated with the hedging instruments designated as fair value hedges for the years ended December 31, 2017, 2016 and 2015 were as follows:

Fair Value Hedges (in thousands)	Location of Loss	2017	2016	2015
Foreign currency contracts	Corporate general and administrative expense	\$ 5,415	\$ (2,886)	\$ (5,191)

The pre-tax amount of gain (loss) recognized in earnings associated with the hedging instruments designated as fair value hedges noted in the table above offset the amount of gain (loss) 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, 2017, 2016 and 2015 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		
	2017	2016	2015		2017	2016	2015
Commodity contracts	\$ 44	\$ 401	\$ (728)	Total cost of revenue	\$ 52	\$ (550)	\$ (385)
Foreign currency contracts	5,455	(6,344)	(2,532)	Total cost of revenue	1,805	(3,224)	(1,525)
Interest rate contracts				Interest expense	(1,049)	(1,049)	(1,049)
Total	\$ 5,499	\$ (5,943)	\$ (3,260)		\$ 808	\$ (4,823)	\$ (2,959)

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As of December 31, 2017, the company also had total gross notional amounts of \$106 million of foreign currency contracts outstanding that were not designated as hedging instruments. These contracts primarily related to engineering contract obligations and monetary assets and liabilities denominated in nonfunctional currencies. As of December 31, 2017, the company had total gross notional amounts of \$81 million associated with contractual foreign currency payment provisions that were deemed embedded derivatives. Net gains of \$1.1 million associated with the company's derivatives and embedded derivatives were included in Cost of Revenue for the year ended December 31, 2017. A gain of less than \$0.1 million associated with the company's derivatives were included in Cost of Revenues for the year ended December 31, 2016.

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Table of Contents**FLUOR CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****8. Financing Arrangements**

As of December 31, 2017, the company had both combination of committed and uncommitted lines of credit available to be used for revolving loans and letters of credit. As of December 31, 2017, 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 2022. 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 was used for revolving loans, bank guarantees, letters of credit and to fund working capital in the ordinary course of business. This replacement facility, which bore interest at EURIBOR plus .75%, expired in April 2017. Outstanding borrowings of \$53 million under the €125 million Revolving Credit Facility were repaid in 2017.

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,	
	2017	2016
Current:		
Revolving Credit Facility	\$	\$ 52,735
Other borrowings	27,361	29,508
Long-Term:		
1.750% Senior Notes	\$ 597,674	\$ 523,629
3.375% Senior Notes	496,859	496,011
3.5% Senior Notes	493,320	492,360
Other borrowings	3,745	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 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.

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FLUOR CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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. We may, from time to time, repurchase the 2016 Notes, the 2014 Notes or the 2011 Notes in the open market, in privately-negotiated transactions or otherwise in such volumes, at such prices and upon such other terms as we deem appropriate.

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 \$31 million and \$35 million as of December 31, 2017 and 2016, respectively, primarily represent bank loans and other financing arrangements resulting from the acquisition of Stork, exclusive of the Stork Notes.

As of December 31, 2017, 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 can earn either market-based fixed or variable rates of return, at the option of the participants. As of December 31, 2017 and 2016, \$395 million and \$356 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

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FLUOR CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

value. These trusts were valued at \$382 million and \$348 million as of December 31, 2017 and 2016, 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 \$56 million and \$65 million as of December 31, 2017 and 2016, 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 \$26 million, \$28 million and \$36 million for the years ended December 31, 2017, 2016 and 2015, respectively, net of recognized tax benefits of \$16 million, \$17 million and \$21 million for the years ended 2017, 2016 and 2015, respectively.

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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, 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
Granted	402,783	54.88	1,103,817	55.35
Expired or canceled	(48,005)	51.58	(285,434)	63.07
Vested/exercised	(453,677)	59.89	(229,808)	40.82
Outstanding as of December 31, 2017	933,464	\$ 51.85	5,069,956	\$ 60.08
Options exercisable as of December 31, 2017			3,323,462	\$ 63.41
Remaining unvested options outstanding and expected to vest			1,694,099	\$ 53.75

As of December 31, 2017, there was a maximum of 12,819,674 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 3.0 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 2017, 2016 and 2015 generally vest ratably over three years. For the company's directors, the restricted units and shares granted in 2017, 2016 and 2015 vest or vested on the first anniversary of the grant. For directors and certain executives, restricted stock units are subject to a post-vest holding period of three years. The fair value of restricted stock units and restricted shares represents the closing price of the

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company's common stock on the date of grant discounted for the post-vest holding period, when applicable. For the years 2017, 2016 and 2015, recognized compensation expense of \$21 million, \$27 million and \$31 million, respectively, is included in corporate general and administrative expense related to restricted stock awards and units. The fair value of restricted stock units and shares that vested during 2017, 2016 and 2015 was \$25 million, \$22 million and \$26 million, respectively. The balance of unamortized restricted stock expense as of December 31, 2017 was \$8 million, which is expected to be recognized over a weighted-average period of 1.1 years.

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Option grant amounts and award dates are established by the Committee. The exercise price of options represents the closing price of the company's common stock on the date of grant. Options normally extend for 10 years and become exercisable over a vesting period determined by the Committee. The options granted in 2017, 2016 and 2015 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 2017, 2016 and 2015 was \$2 million, \$1 million and \$1 million, respectively. The balance of unamortized stock option expense as of December 31, 2017 was \$5 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, 2017, 2016 and 2015, which is included in corporate general and administrative expense in the accompanying Consolidated Statement of Earnings, totaled \$13 million, \$10 million and \$15 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,	
	2017	2016
Weighted average grant date fair value	\$ 14.23	\$ 12.55
Expected life of options (in years)	5.8	6.1
Risk-free interest rate	2.3%	1.6%
Expected volatility	27.8%	32.4%
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, 2017 is summarized below:

Range of Exercise Prices	Options Outstanding			Options Exercisable		
	Number Outstanding	Weighted Average Remaining Contractual Life (In Years)	Weighted Average Exercise Price Per Share	Number Exercisable	Weighted Average Remaining Contractual Life (In Years)	Weighted Average Exercise Price Per Share
\$30.46 - \$35.00	76,750	1.2	\$ 30.46	76,750	1.2	\$ 30.46
\$42.75 - \$62.50	3,940,424	6.9	56.53	2,193,930	5.6	58.74
\$68.36 - \$80.12	1,052,782	4.6	75.54	1,052,782	4.6	75.54
	5,069,956	6.3	\$ 60.08	3,323,462	5.2	\$ 63.41

As of December 31, 2017, options outstanding and options exercisable had an aggregate intrinsic value of approximately \$6 million and \$4 million, respectively.

During 2017, 2016 and 2015, performance-based VDI units totaling 249,204; 296,052; and 430,970, respectively, were awarded to executives. These awards vest after a period of approximately three years and contain annual performance conditions for each of the three years of the vesting period. Beginning in 2016, the performance targets for each year were generally established in the first quarter of that year. Under ASC 718, performance-based awards are not deemed granted for accounting purposes until performance targets have been established. Accordingly, only one-third of the units awards in any given year are deemed to be granted each year of the three year vesting period. VDI awards granted during 2017 and 2016 are also subject to a post-vest holding period restriction for the period of three years. During 2017, units totaling 83,068 and 92,094 under the 2017 and 2016 VDI plans, respectively, were granted at weighted-average grant date fair values of \$53.35 per share and \$51.62 per share, respectively. The grant date fair value is determined by adjusting the closing price of the company's common stock on the date of grant for the post-vest holding period discount and for the effect of the market condition, when applicable.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For awards granted under the 2017 VDI plan, the number of units will be adjusted at the end of each performance period based on achievement of certain performance targets and market conditions, as defined in the VDI award agreement. For awards granted under the 2016 VDI plan, the number of units is adjusted at the end of each performance period based only on the achievement of certain performance targets, as defined in the VDI award agreement. Units granted under the 2017, 2016 and 2015 VDI plans can only be settled in company stock and are accounted for as equity awards in accordance with ASC 718. Compensation expense of \$8 million, \$8 million and \$11 million related to stock-based VDI units is included in corporate general and administrative expense in 2017, 2016 and 2015, respectively. The balance of unamortized compensation expense associated with VDI units as of December 31, 2017 was \$1 million, which is expected to be recognized over a weighted-average period of less than one year. During 2017, the company paid \$26 million for fully vested VDI awards granted in 2014 that were settleable in cash.

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). Diluted EPS reflects the assumed exercise or conversion of all dilutive securities using the treasury stock method. As a result of the adoption of ASU 2016-09 in the first quarter of 2017, the excess tax benefits and tax deficiencies that were previously recorded to additional paid-in capital have been excluded from the hypothetical proceeds used to calculate the repurchase of shares under the treasury stock method beginning in the first quarter of 2017.

The calculations of the basic and diluted EPS for the years ended December 31, 2017, 2016 and 2015 under the treasury stock method are presented below:

(in thousands, except per share amounts)	Year Ended December 31,		
	2017	2016	2015
Amounts attributable to Fluor Corporation:			
Earnings from continuing operations	\$ 191,377	\$ 281,401	\$ 418,170
Loss from discontinued operations, net of taxes			(5,658)
Net earnings	\$ 191,377	\$ 281,401	\$ 412,512
Basic EPS attributable to Fluor Corporation:			
Weighted average common shares outstanding	139,761	139,171	144,805
Earnings from continuing operations	\$ 1.37	\$ 2.02	\$ 2.89
Loss from discontinued operations, net of taxes			(0.04)
Net earnings	\$ 1.37	\$ 2.02	\$ 2.85
Diluted EPS attributable to Fluor Corporation:			
Weighted average common shares outstanding	139,761	139,171	144,805
Diluted effect:			
Employee stock options, restricted stock units and shares and VDI units	1,132	1,741	1,827
Conversion equivalent of dilutive convertible debt			90
Weighted average diluted shares outstanding	140,893	140,912	146,722
Earnings from continuing operations	\$ 1.36	\$ 2.00	\$ 2.85
Loss from discontinued operations, net of taxes			(0.04)
Net earnings	\$ 1.36	\$ 2.00	\$ 2.81

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Anti-dilutive securities not included above	4,706	3,843	3,408
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During the years ended December 31, 2016 and 2015, the company repurchased and canceled 202,650 and 10,104,988 shares of its common stock, respectively, under its stock repurchase program for \$10 million and \$510 million, respectively.

12. Lease Obligations

Net rental expense amounted to approximately \$144 million, \$152 million and \$169 million in the years ended December 31, 2017, 2016 and 2015, 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 2017 and 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.

The company's obligations for minimum rentals under non-cancelable operating leases (excluding project lease agreements which are fully reimbursable by the client) are as follows:

Year Ended December 31,	(in thousands)
2018	\$ 86,300
2019	70,900
2020	55,800
2021	35,500
2022	22,700
Thereafter	55,500

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 both 2017 and 2016. These gains were included in corporate general and administrative expense in the Consolidated Statement of Earnings. The remaining deferred gain of approximately \$43 million is being 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, 2017, 2016 and 2015, net earnings attributable to noncontrolling interests were \$73 million, \$46 million and \$62 million, respectively. Income taxes associated with earnings attributable to noncontrolling interests were immaterial in all periods presented. Distributions paid to noncontrolling interests were \$47 million, \$58 million and \$59 million for the years ended December 31, 2017, 2016 and 2015, respectively. Capital contributions by noncontrolling interests were \$6 million, \$9 million and \$5 million for the years ended December 31, 2017, 2016 and 2015, 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

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FLUOR CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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.

Fluor Australia Ltd., a wholly-owned subsidiary of the company ("Fluor Australia"), completed a cost reimbursable engineering, procurement and construction management services project for Santos Ltd. ("Santos") involving 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. Santos has joined Fluor Corporation to the matter on the basis of a parent company guarantee issued for the project. 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, 2017 and 2016, the company had recorded \$124 million and \$61 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 \$18 million and \$41 million as of December 31, 2017 and 2016, respectively. 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

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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 \$14 billion as of December 31, 2017. 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, 2017 and 2016 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. Accounts receivables related to work performed for unconsolidated partnerships and joint ventures included in "Accounts and notes receivable, net" on the Consolidated Balance Sheet were \$83 million and \$392 million as of December 31, 2017 and 2016, respectively. The decrease in this receivable balance in 2017 resulted primarily from collections from one Energy, Chemicals & Mining joint venture project in the United States. Notes receivable from unconsolidated partnerships and joint ventures included in "Accounts and notes receivable, net" and "Other assets" on the Consolidated Balance Sheet were \$22 million and \$19 million as of December 31, 2017 and 2016, respectively.

For unconsolidated construction partnerships and joint ventures, 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 \$726 million and \$454 million as of December 31, 2017 and 2016, 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, 2017, current assets of \$3.7 billion, noncurrent assets of \$1.7 billion, current liabilities of \$2.1 billion and noncurrent liabilities of \$1.7 billion; 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. Additionally, the following is a summary of aggregate, unaudited income statement data for

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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 \$1.5 billion, \$1.6 billion and \$961 million for 2017, 2016 and 2015, respectively; cost of revenue of \$1.4 billion, \$1.5 billion and \$926 million for 2017, 2016 and 2015, respectively; and net earnings of \$26 million, \$30 million and \$14 million for 2017, 2016 and 2015, respectively.

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. The company made additional investments of \$62 million in 2016 and \$26 million in 2017 and has a future funding commitment of \$52 million.

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 it has any of the following characteristics: (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 asset of \$216 million as of December 31, 2017 and a net liability of \$9 million as of December 31, 2016. 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 necessary to satisfy the contractual obligations of the VIE. Future funding commitments as of December 31, 2017 for the unconsolidated VIEs were \$39 million.

In some cases, the company is required to consolidate certain VIEs. As of December 31, 2017, the carrying values of the assets and liabilities associated with the operations of the consolidated VIEs were \$1.2 billion and \$700 million, respectively. 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,

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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.

The company has agreements with certain VIEs to provide financial or performance assurances to clients. See Note 15 for a further discussion of such agreements.

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 2017, the company changed the name of the Maintenance, Modification & Asset Integrity segment to Diversified Services. The company reports its operating results in the following four reportable segments: Energy, Chemicals & Mining; Industrial, Infrastructure & Power; Government; and Diversified Services.

The Energy, Chemicals & Mining segment is the company's commodity-related segment which focuses on opportunities in the upstream, midstream, 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 to 13 percent, 10 percent and 11 percent of the company's consolidated revenue during the years ended December 31, 2017, 2016 and 2015, 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, a 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 15 percent, 13 percent and 12 percent during the years ended December 31, 2017, 2016 and 2015, respectively.

The Diversified Services segment includes Stork, which 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 Diversified Services segment also includes the operations of the company's equipment and temporary staffing businesses and power services.

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

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income; domestic and foreign income taxes; other non-operating income and expense items; and loss from discontinued operations.

Operating Information by Segment

(in millions)	Year Ended December 31,		
	2017	2016	2015
External revenue			
Energy, Chemicals & Mining	\$ 9,376.7	\$ 9,754.2	\$ 11,865.4
Industrial, Infrastructure & Power	4,367.5	4,094.5	2,264.0
Government	3,232.7	2,720.0	2,557.4
Diversified Services	2,544.1	2,467.8	1,427.2
Total external revenue	\$ 19,521.0	\$ 19,036.5	\$ 18,114.0
Segment profit (loss)			
Energy, Chemicals & Mining	\$ 454.7	\$ 401.5	\$ 866.6
Industrial, Infrastructure & Power	(170.8)	135.8	(44.9)
Government	127.9	85.1	83.1
Diversified Services	133.6	121.9	127.4
Total segment profit	\$ 545.4	\$ 744.3	\$ 1,032.2
Depreciation and amortization of fixed assets			
Energy, Chemicals & Mining	\$	\$	\$
Industrial, Infrastructure & Power	4.7	3.9	4.0
Government	2.8	2.3	3.2
Diversified Services	137.6	139.5	113.4
Corporate and other	61.0	65.4	68.1
Total depreciation and amortization of fixed assets	\$ 206.1	\$ 211.1	\$ 188.7
Capital expenditures			
Energy, Chemicals & Mining	\$	\$	\$
Industrial, Infrastructure & Power	27.7	2.2	6.1
Government	4.2	2.1	3.9
Diversified Services	187.1	153.1	158.9
Corporate and other	64.1	78.5	71.3
Total capital expenditures	\$ 283.1	\$ 235.9	\$ 240.2
Total assets			
Energy, Chemicals & Mining	\$ 1,815.2	\$ 2,348.0	
Industrial, Infrastructure & Power	926.3	750.1	
Government	732.0	493.7	
Diversified Services	2,120.4	1,952.7	

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Corporate and other	3,733.8	3,671.9
Total assets	\$ 9,327.7	\$ 9,216.4
Goodwill		
Energy, Chemicals & Mining	\$ 15.8	\$ 15.5
Industrial, Infrastructure & Power	14.6	13.6
Government	58.0	58.0
Diversified Services	476.3	445.1
Total goodwill	\$ 564.7	\$ 532.2

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

Energy, Chemicals & Mining. Segment profit for 2017 was adversely affected by pre-tax charges totaling \$44 million (or \$0.20 per diluted share) resulting from forecast revisions for estimated cost increases on a downstream project. 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 decrease in total assets in the Energy, Chemicals & Mining segment resulted from decreased working capital in support of project execution activities.

Industrial, Infrastructure & Power. Segment profit for 2017 was adversely affected by pre-tax charges totaling \$260 million (or \$1.18 per diluted share) resulting from forecast revisions for estimated cost growth at three fixed-price, gas-fired power plant projects in the southeastern United States. 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 \$76 million, \$92 million and \$80 million during 2017, 2016 and 2015, respectively. NuScale expenses for 2017, 2016 and 2015 were reported net of qualified reimbursable expenses of \$48 million, \$57 million and \$65 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.

Total assets in the Industrial, Infrastructure & Power segment as of December 31, 2017 included accounts receivable related to the two subcontracts with Westinghouse to manage the construction workforce at the Plant Vogtle and V.C. Summer nuclear power plant projects. On March 29, 2017 ("the bankruptcy petition date"), Westinghouse filed for Chapter 11 bankruptcy protection in the U.S. Bankruptcy Court, Southern District of New York. In the third quarter of 2017, the V.C. Summer project was cancelled by the owner. In the fourth quarter of 2017, the remaining scope of work on the Plant Vogtle project was transferred to a new contractor. In addition to amounts due for post-petition services, total assets as of December 31, 2017 included amounts due of \$66 million and \$2 million for services provided to the V.C. Summer and Plant Vogtle projects, respectively, prior to the date of the bankruptcy petition. The company filed mechanic's liens in South Carolina against the property of the owner of the V.C. Summer project for amounts due for pre-petition services rendered to Westinghouse. Based on the company's evaluation of available information, the company does not expect the close-out of these projects to have a material impact on the company's results of operations.

Government. The increase in total assets in the Government segment resulted from increased working capital in support of project execution activities for the Power Infrastructure Restoration Project in Puerto Rico.

Diversified Services. During 2017, 2016 and 2015, intercompany revenue for the Diversified Services segment, excluded from the amounts shown above, was \$589 million, \$524 million and \$439 million, respectively. The increase in total assets in the Diversified Services segment resulted from increased working capital in support of project execution activities.

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FLUOR CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

(in millions)	Year Ended December 31,		
	2017	2016	2015
Total segment profit	\$ 545.4	\$ 744.3	\$ 1,032.2
Gain related to a partial sale of a subsidiary			68.2
Pension settlement charge			(239.9)
Corporate general and administrative expense	(192.2)	(191.1)	(168.3)
Interest income (expense), net	(39.9)	(52.6)	(28.1)
Earnings attributable to noncontrolling interests	73.1	46.0	62.5
Earnings from continuing operations before taxes	\$ 386.4	\$ 546.6	\$ 726.6

Corporate general and administrative expense. Foreign currency exchange losses of \$21 million and foreign currency exchange gains of \$35 million were included in corporate general and administrative expense during 2017 and 2016, respectively. Corporate general and administrative expense also included organizational realignment expenses (primarily severance and facility exit costs) of \$20 million and \$38 million during 2017 and 2016, respectively. Additionally, corporate general and administrative expense in 2016 included transaction and integration costs associated with the Stork acquisition of \$25 million.

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,	
	2017	2016	2015	2017	2016
United States	\$ 10,071.1	\$ 9,891.9	\$ 7,857.3	\$ 4,808.1	\$ 4,842.4
Canada	1,447.5	2,170.1	2,459.3	490.5	749.5
Asia Pacific (includes Australia)	985.5	1,010.2	870.4	729.3	645.8
Europe	4,358.3	3,372.1	2,509.2	2,238.0	2,103.7
Central and South America	968.2	1,006.2	2,560.4	675.0	499.7
Middle East and Africa	1,690.4	1,586.0	1,857.4	386.8	375.3
Total	\$ 19,521.0	\$ 19,036.5	\$ 18,114.0	\$ 9,327.7	\$ 9,216.4

Non-Operating (Income) Expense

Non-operating income (net of expenses) of \$6 million and \$7 million was included in corporate general and administrative expense in 2017 and 2015, respectively. Non-operating expenses (net of income) of \$1 million were included in corporate general and administrative expense in 2016.

18. Acquisitions of Stork Holding B.V.

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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

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FLUOR CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

\$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 was available to fund working capital in the ordinary course of business. This replacement facility, which bore interest at EURIBOR plus .75%, expired in April 2017. Outstanding borrowings of \$53 million under the €125 million Revolving Credit Facility were repaid in the first quarter of 2017.

The company completed its valuation of Stork's assets and liabilities at the end of 2016. The aggregate purchase price noted above was allocated to the major categories of assets acquired and liabilities assumed based upon their estimated fair values as of the acquisition date. The 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 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 Diversified Services segment.

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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.

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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
Year ended December 31, 2017				
Revenue	\$ 4,835.9	\$ 4,716.1	\$ 4,941.6	\$ 5,027.4
Cost of revenue	4,685.9	4,684.1	4,720.1	4,812.4
Earnings (loss) before taxes	93.4	(23.9)	165.4	151.5
Net earnings (loss)	77.4	(6.6)	112.9	80.8
Net earnings (loss) attributable to Fluor Corporation	60.6	(24.0)	94.5	60.3
Earnings (loss) per share				
Basic	\$ 0.43	\$ (0.17)	\$ 0.68	\$ 0.43
Diluted	0.43	(0.17)	0.67	0.43
Year ended December 31, 2016				
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) before taxes	189.2	181.4	(2.7)	178.7
Net earnings	119.0	120.0	17.4	71.0
Net earnings attributable to Fluor Corporation	104.3	101.8	4.8	70.5
Earnings per share				
Basic	\$ 0.75	\$ 0.73	\$ 0.03	\$ 0.51
Diluted	0.74	0.72	0.03	0.50

Net earnings in the first, second and fourth quarters of 2017 were adversely affected by pre-tax charges totaling \$25 million (or \$0.11 per diluted share), \$194 million (or \$0.89 per diluted share), and \$41 million (or \$0.19 per diluted share), respectively, resulting from forecast revisions for estimated cost growth at three fixed-price, gas-fired power plant projects in the southeastern United States. Net earnings in the second, third and fourth quarters of 2017 were adversely affected by pre-tax charges totaling \$6 million (or \$0.03 per diluted share), \$9 million (or \$0.04 per diluted share), and \$29 million (or \$0.13 per diluted share), respectively, resulting from forecast revisions for estimated cost increases on a downstream project. Additionally, net earnings in the fourth quarter of 2017 were adversely affected by \$37 million (or \$0.27 per diluted share) related to the recently enacted tax reform legislation in the United States.

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.