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

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended September 30, 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)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 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 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 definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☒	Accelerated filer ☐
Non-accelerated filer ☐ (Do not check if a smaller reporting company)	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 October 27, 2017, 139,875,264 shares of the registrant's common stock, $0.01 par value, were outstanding.

FLUOR CORPORATION

FORM 10-Q

September 30, 2017

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PART I: FINANCIAL INFORMATION

Item 1. Financial Statements

FLUOR CORPORATION
CONDENSED CONSOLIDATED STATEMENT OF EARNINGS

UNAUDITED

(in thousands, except per share amounts)	Three Months Ended September 30, 2017	Three Months Ended September 30, 2016	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016
TOTAL REVENUE	$ 4,941,634	$ 4,766,864	$ 14,493,631	$ 14,046,870
TOTAL COST OF REVENUE	4,720,071	4,729,637	14,090,091	13,505,572
OTHER (INCOME) AND EXPENSES				
Corporate general and administrative expense	45,973	27,144	138,336	134,897
Interest expense	16,955	17,377	50,991	50,741
Interest income	(6,749)	(4,643)	(20,647)	(12,312)
Total cost and expenses	4,776,250	4,769,515	14,258,771	13,678,898
EARNINGS (LOSS) BEFORE TAXES	165,384	(2,651)	234,860	367,972
INCOME TAX EXPENSE (BENEFIT)	52,495	(20,057)	51,249	111,501
NET EARNINGS	112,889	17,406	183,611	256,471
LESS: NET EARNINGS ATTRIBUTABLE TO NONCONTROLLING INTERESTS	18,426	12,602	52,562	45,531
NET EARNINGS ATTRIBUTABLE TO FLUOR CORPORATION	$ 94,463	$ 4,804	$ 131,049	$ 210,940
BASIC EARNINGS PER SHARE	$ 0.68	$ 0.03	$ 0.94	$ 1.52
DILUTED EARNINGS PER SHARE	$ 0.67	$ 0.03	$ 0.93	$ 1.50
SHARES USED TO CALCULATE EARNINGS PER SHARE				
BASIC	139,887	139,250	139,716	139,142
DILUTED	140,830	140,924	140,847	140,863
DIVIDENDS DECLARED PER SHARE	$ 0.21	$ 0.21	$ 0.63	$ 0.63

See Notes to Condensed Consolidated Financial Statements.

FLUOR CORPORATION
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

UNAUDITED

(in thousands)	Three Months Ended September 30, 2017	Three Months Ended September 30, 2016	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016
NET EARNINGS	$ 112,889	$ 17,406	$ 183,611	$ 256,471
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX:				
Foreign currency translation adjustment	25,228	(23,227)	63,115	(39,407)
Ownership share of equity method investees' other comprehensive income	6,485	2,748	8,409	3,114
Defined benefit pension and postretirement plan adjustments	1,026	1,289	2,936	(828)
Unrealized gain (loss) on derivative contracts	(1,544)	1,980	2,006	2,901
Unrealized gain (loss) on available-for-sale securities	31	(280)	20	832
TOTAL OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX	31,226	(17,490)	76,486	(33,388)
COMPREHENSIVE INCOME (LOSS)	144,115	(84)	260,097	223,083
LESS: COMPREHENSIVE INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	18,485	12,030	52,473	45,714
COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO FLUOR CORPORATION	$ 125,630	$ (12,114)	$ 207,624	$ 177,369

See Notes to Condensed Consolidated Financial Statements.

FLUOR CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEET

UNAUDITED

(in thousands, except share and per share amounts)	September 30, 2017	December 31, 2016
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents ($522,002 and $439,942 related to variable interest entities (“VIEs”))	$ 1,827,029	$ 1,850,436
Marketable securities, current ($91,095 and $48,155 related to VIEs)	178,056	111,037
Accounts and notes receivable, net ($225,698 and $232,242 related to VIEs)	1,532,959	1,700,224
Contract work in progress ($95,652 and $124,677 related to VIEs)	1,326,791	1,537,289
Other current assets ($20,765 and $24,017 related to VIEs)	650,059	411,284
Total current assets	5,514,894	5,610,270
Marketable securities, noncurrent	130,631	143,553
Property, plant and equipment ("PP&E") ((net of accumulated depreciation of $1,196,283 and $1,122,191) (net PP&E of $41,638 and $53,728 related to VIEs))	1,080,175	1,017,223
Goodwill	563,440	532,239
Investments	847,055	740,385
Deferred taxes	294,382	454,109
Deferred compensation trusts	385,737	348,487
Other assets ($23,678 and $24,248 related to VIEs)	377,213	370,151
TOTAL ASSETS	$ 9,193,527	$ 9,216,417
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Trade accounts payable ($206,635 and $221,601 related to VIEs)	$ 1,398,182	$ 1,590,506
Revolving credit facility and other borrowings	36,725	82,243
Advance billings on contracts ($308,667 and $263,393 related to VIEs)	970,338	763,774
Accrued salaries, wages and benefits ($29,998 and $35,573 related to VIEs)	714,895	734,649
Other accrued liabilities ($32,646 and $32,015 related to VIEs)	423,434	644,857
Total current liabilities	3,543,574	3,816,029
LONG-TERM DEBT DUE AFTER ONE YEAR	1,580,974	1,517,949
NONCURRENT LIABILITIES	635,086	639,608
CONTINGENCIES AND COMMITMENTS		
EQUITY		
Shareholders’ equity		
Capital stock		
Preferred – authorized 20,000,000 shares ($0.01 par value); none issued	—	—
Common – authorized 375,000,000 shares ($0.01 par value); issued and outstanding – 139,902,454 and 139,258,483 shares in 2017 and 2016, respectively	1,399	1,393
Additional paid-in capital	77,449	38,317
Accumulated other comprehensive loss	(420,094)	(496,669)
Retained earnings	3,624,554	3,582,150
Total shareholders’ equity	3,283,308	3,125,191
Noncontrolling interests	150,585	117,640
Total equity	3,433,893	3,242,831
TOTAL LIABILITIES AND EQUITY	$ 9,193,527	$ 9,216,417

See Notes to Condensed Consolidated Financial Statements.

FLUOR CORPORATION
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
UNAUDITED

(in thousands)	Nine Months Ended September 30, 2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Net earnings	$ 183,611	$ 256,471
Adjustments to reconcile net earnings to cash provided (utilized) by operating activities:		
Depreciation of fixed assets	153,881	155,115
Amortization of intangibles	14,074	12,424
(Earnings) loss from equity method investments, net of distributions	(378)	12,381
Gain on sale of property, plant and equipment	(11,740)	(15,408)
Amortization of stock-based awards	31,076	31,842
Deferred compensation trust	(37,251)	(19,546)
Deferred compensation obligation	35,988	25,213
Deferred taxes	99,763	58,772
Net retirement plan accrual (contributions)	(7,095)	(7,880)
Changes in operating assets and liabilities	86,815	(57,538)
Other items	1,893	638
Cash provided by operating activities	550,637	452,484
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of marketable securities	(204,808)	(279,387)
Proceeds from the sales and maturities of marketable securities	150,857	415,862
Capital expenditures	(216,336)	(165,514)
Proceeds from disposal of property, plant and equipment	55,858	60,773
Investments in partnerships and joint ventures	(241,577)	(518,009)
Acquisitions, net of cash acquired	—	(240,740)
Other items	(6)	10,237
Cash utilized by investing activities	(456,012)	(716,778)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repurchase of common stock	—	(9,718)
Dividends paid	(88,623)	(89,026)
Proceeds from issuance of 1.75% Senior Notes	—	552,958
Debt issuance costs	—	(3,513)
Repayment of Stork Notes and other borrowings	—	(331,267)
Borrowings under revolving lines of credit	—	883,288
Repayment of borrowings under revolving lines of credit	(53,455)	(884,876)
Distributions paid to noncontrolling interests	(23,842)	(25,628)
Capital contributions by noncontrolling interests	4,672	8,571
Taxes paid on vested restricted stock	(6,186)	(7,006)
Stock options exercised	8,803	3,315
Other items	(1,551)	711
Cash provided (utilized) by financing activities	(160,182)	97,809
Effect of exchange rate changes on cash	42,150	(3,027)
Decrease in cash and cash equivalents	(23,407)	(169,512)
Cash and cash equivalents at beginning of period	1,850,436	1,949,886
Cash and cash equivalents at end of period	$ 1,827,029	$ 1,780,374

See Notes to Condensed Consolidated Financial Statements.

(1) Principles of Consolidation

The Condensed Consolidated Financial Statements do not include footnotes and certain financial information normally presented annually under accounting principles generally accepted in the United States and, therefore, should be read in conjunction with the company's December 31, 2016 Annual Report on Form 10-K. Accounting measurements at interim dates inherently involve greater reliance on estimates than at year-end. The results of operations for the three and nine months ended September 30, 2017 may not necessarily be indicative of results that can be expected for the full year.

The Condensed Consolidated Financial Statements included herein are unaudited; however, they contain all adjustments of a normal recurring nature which, in the opinion of management, are necessary to present fairly its consolidated financial position as of September 30, 2017 and December 31, 2016 and its consolidated results of operations and cash flows for the interim periods presented. All significant intercompany transactions of consolidated subsidiaries are eliminated. Management has evaluated all material events occurring subsequent to the date of the financial statements up to the filing date of this Form 10-Q.

The Condensed Consolidated Financial Statements 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.

(2) Recent Accounting Pronouncements

New accounting pronouncements implemented by the company during the nine months ended September 30, 2017 are discussed below or in the related notes, where appropriate.

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 7). 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 dedesignation 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 August 2017, the Financial Accounting Standards Board ("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 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 2017-08, "Premium Amortization on Purchased Callable Debt Securities." For purchased callable debt securities held at a premium, ASU 2017-08 requires entities to amortize the premium to the earliest call date rather than over the contractual life of the instrument. Therefore, entities will no longer recognize a loss in earnings on the unamortized premium upon the issuer's exercise of a call. ASU 2017-08 is effective for interim and annual reporting periods beginning after December 15, 2018. Management does not expect the adoption of ASU 2017-08 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 a material 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 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," which amends the existing guidance on accounting for leases. This ASU requires the recognition of lease assets and lease liabilities on the balance sheet, and the disclosure of key information about leasing arrangements. ASU 2016-02 is effective for interim and annual reporting periods beginning after December 15, 2018. Early adoption is permitted and modified retrospective application is required for leases that exist or are entered into after the beginning of the earliest comparative period in the financial statements. Management is currently evaluating the impact of adopting ASU 2016-02 on the company's financial position, results of operations or cash flows.

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

Revenue Recognition

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

Management is currently evaluating the impact of adopting ASU 2014-09, 2016-08, 2016-10, 2016-12, 2016-20 and 2017-05 on the company’s financial position, results of operations, cash flows, related disclosures and internal controls. Adoption of these ASUs is expected to affect the manner in which the company determines the unit of account for its projects (i.e., performance obligations). Under existing guidance, the company typically segments revenue and margin recognition between the engineering and construction phases of its contracts. Upon adoption, the company expects that the entire engineering and construction contract will typically be a single unit of account (a single performance obligation), which will result in a more constant recognition of revenue and margin over the term of the contract. The company will adopt ASU 2014-09 during the first quarter of 2018. The company expects to adopt this new standard using the modified retrospective method that will result in a cumulative effect adjustment as of the date of adoption.

(3) Change in Accounting Principle

In the third quarter of 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 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.

(4) Other Comprehensive Income (Loss)

The tax effects of the components of other comprehensive income (loss) ("OCI") for the three months ended September 30, 2017 and 2016 are as follows:

	Three Months Ended September 30, 2017			Three Months Ended September 30, 2016		
(in thousands)	Before-Tax Amount	Tax Benefit (Expense)	Net-of-Tax Amount	Before-Tax Amount	Tax Benefit (Expense)	Net-of-Tax Amount
Other comprehensive income (loss):						
Foreign currency translation adjustment	$ 40,397	$ (15,169)	$ 25,228	$ (36,754)	$ 13,527	$ (23,227)
Ownership share of equity method investees' other comprehensive income	9,763	(3,278)	6,485	4,086	(1,338)	2,748
Defined benefit pension and postretirement plan adjustments	1,641	(615)	1,026	2,062	(773)	1,289
Unrealized gain (loss) on derivative contracts	(2,424)	880	(1,544)	3,032	(1,052)	1,980
Unrealized gain (loss) on available-for-sale securities	50	(19)	31	(449)	169	(280)
Total other comprehensive income (loss)	49,427	(18,201)	31,226	(28,023)	10,533	(17,490)
Less: Other comprehensive income (loss) attributable to noncontrolling interests	59	—	59	(572)	—	(572)
Other comprehensive income (loss) attributable to Fluor Corporation	$ 49,368	$ (18,201)	$ 31,167	$ (27,451)	$ 10,533	$ (16,918)

The tax effects of the components of OCI for the nine months ended September 30, 2017 and 2016 are as follows:

	Nine Months Ended September 30, 2017			Nine Months Ended September 30, 2016		
(in thousands)	Before-Tax Amount	Tax Benefit (Expense)	Net-of-Tax Amount	Before-Tax Amount	Tax Benefit (Expense)	Net-of-Tax Amount
Other comprehensive income (loss):						
Foreign currency translation adjustment	$ 101,068	$ (37,953)	$ 63,115	$ (62,922)	$ 23,515	$ (39,407)
Ownership share of equity method investees' other comprehensive income	13,339	(4,930)	8,409	5,106	(1,992)	3,114
Defined benefit pension and postretirement plan adjustments	4,697	(1,761)	2,936	1,445	(2,273)	(828)
Unrealized gain on derivative contracts	3,273	(1,267)	2,006	4,480	(1,579)	2,901
Unrealized gain on available-for-sale securities	31	(11)	20	1,330	(498)	832
Total other comprehensive income (loss)	122,408	(45,922)	76,486	(50,561)	17,173	(33,388)
Less: Other comprehensive income (loss) attributable to noncontrolling interests	(89)	—	(89)	183	—	183
Other comprehensive income (loss) attributable to Fluor Corporation	$ 122,497	$ (45,922)	$ 76,575	$ (50,744)	$ 17,173	$ (33,571)

The changes in accumulated other comprehensive income ("AOCI") balances by component (after-tax) for the three months ended September 30, 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 June 30, 2017	$ (248,362)	$ (29,989)	$ (165,757)	$ (6,877)	$ (276)	$ (451,261)
Other comprehensive income (loss) before reclassifications	25,169	6,485	—	(974)	7	30,687
Amounts reclassified from AOCI	—	—	1,026	(570)	24	480
Net other comprehensive income (loss)	25,169	6,485	1,026	(1,544)	31	31,167
Balance as of September 30, 2017	$ (223,193)	$ (23,504)	$ (164,731)	$ (8,421)	$ (245)	$ (420,094)
Attributable to Noncontrolling Interests:						
Balance as of June 30, 2017	$ (814)	$ —	$ —	$ —	$ —	$ (814)
Other comprehensive income before reclassifications	59	—	—	—	—	59
Amounts reclassified from AOCI	—	—	—	—	—	—
Net other comprehensive income	59	—	—	—	—	59
Balance as of September 30, 2017	$ (755)	$ —	$ —	$ —	$ —	$ (755)

The changes in AOCI balances by component (after-tax) for the nine months ended September 30, 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	63,256	8,409	—	2,151	(6)	73,810
Amounts reclassified from AOCI	—	—	2,936	(197)	26	2,765
Net other comprehensive income	63,256	8,409	2,936	1,954	20	76,575
Balance as of September 30, 2017	$ (223,193)	$ (23,504)	$ (164,731)	$ (8,421)	$ (245)	$ (420,094)
Attributable to Noncontrolling Interests:						
Balance as of December 31, 2016	$ (614)	$ —	$ —	$ (52)	$ —	$ (666)
Other comprehensive income (loss) before reclassifications	(141)	—	—	13	—	(128)
Amounts reclassified from AOCI	—	—	—	39	—	39
Net other comprehensive income (loss)	(141)	—	—	52	—	(89)
Balance as of September 30, 2017	$ (755)	$ —	$ —	$ —	$ —	$ (755)

The changes in AOCI balances by component (after-tax) for the three months ended September 30, 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 June 30, 2016	$ (239,217)	$ (37,583)	$ (164,647)	$ (8,621)	$ 640	$ (449,428)
Other comprehensive income (loss) before reclassifications	(22,545)	2,748	—	1,233	(220)	(18,784)
Amounts reclassified from AOCI	—	—	1,289	637	(60)	1,866
Net other comprehensive income (loss)	(22,545)	2,748	1,289	1,870	(280)	(16,918)
Balance as of September 30, 2016	$ (261,762)	$ (34,835)	$ (163,358)	$ (6,751)	$ 360	$ (466,346)
Attributable to Noncontrolling Interests:						
Balance as of June 30, 2016	$ 354	$ —	$ —	$ (223)	$ —	$ 131
Other comprehensive income (loss) before reclassifications	(682)	—	—	46	—	(636)
Amounts reclassified from AOCI	—	—	—	64	—	64
Net other comprehensive income (loss)	(682)	—	—	110	—	(572)
Balance as of September 30, 2016	$ (328)	$ —	$ —	$ (113)	$ —	$ (441)

The changes in AOCI balances by component (after-tax) for the nine months ended September 30, 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	(39,193)	3,114	(4,617)	(951)	915	(40,732)
Amounts reclassified from AOCI	—	—	3,789	3,455	(83)	7,161
Net other comprehensive income (loss)	(39,193)	3,114	(828)	2,504	832	(33,571)
Balance as of September 30, 2016	$ (261,762)	$ (34,835)	$ (163,358)	$ (6,751)	$ 360	$ (466,346)
Attributable to Noncontrolling Interests:						
Balance as of December 31, 2015	$ (114)	$ —	$ —	$ (510)	$ —	$ (624)
Other comprehensive income (loss) before reclassifications	(214)	—	—	156	—	(58)
Amounts reclassified from AOCI	—	—	—	241	—	241
Net other comprehensive income (loss)	(214)	—	—	397	—	183
Balance as of September 30, 2016	$ (328)	$ —	$ —	$ (113)	$ —	$ (441)

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

(in thousands)	Location in Condensed Consolidated Statement of Earnings	Three Months Ended September 30, 2017	Three Months Ended September 30, 2016	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016
Component of AOCI:					
Defined benefit pension plan adjustments	Various accounts[1]	$ (1,641)	$ (2,062)	$ (4,697)	$ (6,062)
Income tax benefit	Income tax expense (benefit)	615	773	1,761	2,273
Net of tax		$ (1,026)	(1,289)	$ (2,936)	(3,789)
Unrealized gain (loss) on derivative contracts:					
Commodity and foreign currency contracts	Total cost of revenue	$ 1,346	$ (671)	$ 1,546	$ (4,555)
Interest rate contracts	Interest expense	(419)	(419)	(1,258)	(1,258)
Income tax benefit (expense)	Income tax expense (benefit)	(357)	389	(130)	2,117
Net of tax		570	(701)	158	(3,696)
Less: Noncontrolling interests	Net earnings attributable to noncontrolling interests	—	(64)	(39)	(241)
Net of tax and noncontrolling interests		$ 570	(637)	$ 197	(3,455)
Unrealized gain (loss) on available-for-sale securities	Corporate general and administrative expense	$ (39)	$ 97	$ (42)	$ 133
Income tax benefit (expense)	Income tax expense (benefit)	15	(37)	16	(50)
Net of tax		$ (24)	60	$ (26)	$ 83

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

(5) Income Taxes

The effective tax rates for the three and nine months ended September 30, 2017 were 31.7 percent and 21.8 percent, respectively. The effective tax rate for the nine month period ended September 30, 2017 reflected a benefit due to a worthless stock deduction for an insolvent foreign subsidiary. The effective tax rates for the three and nine months ended September 30, 2016 reflected the favorable resolution of an IRS audit for tax years 2009-2013 and an increase in the research tax credit. All periods benefit from earnings attributable to noncontrolling interests for which income taxes are not typically the responsibility of the company.

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.

(6) Cash Paid for Interest and Taxes

Cash paid for interest was $48 million and $55 million for the nine months ended September 30, 2017 and 2016, respectively. Income tax payments, net of refunds, were $168 million and $138 million during the nine-month periods ended September 30, 2017 and 2016, respectively.

(7) Earnings Per Share

Diluted earnings per share (“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, 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 three and nine months ended September 30, 2017 and 2016 are presented below:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands, except per share amounts)	**2017**	**2016**	**2017**	**2016**
Net earnings attributable to Fluor Corporation	$ 94,463	$ 4,804	$ 131,049	$ 210,940
Basic EPS attributable to Fluor Corporation:				
Weighted average common shares outstanding	139,887	139,250	139,716	139,142
Basic earnings per share	$ 0.68	$ 0.03	$ 0.94	$ 1.52
Diluted EPS attributable to Fluor Corporation:				
Weighted average common shares outstanding	139,887	139,250	139,716	139,142
Diluted effect:				
Employee stock options, restricted stock units and shares and Value Driver Incentive units	943	1,674	1,131	1,721
Weighted average diluted shares outstanding	140,830	140,924	140,847	140,863
Diluted earnings per share	$ 0.67	$ 0.03	$ 0.93	$ 1.50
Anti-dilutive securities not included above	5,045	4,097	4,639	3,977

During the nine months ended September 30, 2016, the company repurchased and cancelled 202,650 shares of its common stock under its stock repurchase program for approximately $10 million. No shares were repurchased during the three and nine months ended September 30, 2017, and three months ended September 30, 2016.

(8) **Fair Value Measurements**

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:

- Level 1 – quoted prices in active markets for identical assets and liabilities
- Level 2 – inputs other than quoted prices in active markets for identical assets and liabilities that are observable, either directly or indirectly
- Level 3 – unobservable inputs

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 company's assets and liabilities that are measured at fair value on a recurring basis as of September 30, 2017 and December 31, 2016:

	September 30, 2017				December 31, 2016			
		Fair Value Hierarchy				Fair Value Hierarchy		
(in thousands)	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**
Assets:								
Cash and cash equivalents(1)	$ 14,775	$ 7,387	$ 7,388	$ —	$ 21,035	$ 21,035	$ —	$ —
Marketable securities, current(2)	75,911	—	75,911	—	54,840	—	54,840	—
Deferred compensation trusts(3)	37,846	37,846	—	—	37,510	37,510	—	—
Marketable securities, noncurrent(4)	130,631	—	130,631	—	143,553	—	143,553	—
Derivative assets(5)								
Commodity contracts	102	—	102	—	83	—	83	—
Foreign currency contracts	27,718	—	27,718	—	34,776	—	34,776	—
Liabilities:								
Derivative liabilities(5)								
Commodity contracts	$ —	$ —	$ —	$ —	$ 129	$ —	$ 129	$ —
Foreign currency contracts	30,895	—	30,895	—	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 a registered money market fund, a short-term bond fund 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 9 for the classification of commodity and foreign currency contracts on the Condensed Consolidated Balance Sheet. Commodity and foreign currency contracts are estimated using standard pricing models with market-based inputs, which take into account the present value of estimated future cash flows.

All of the company's financial instruments carried at fair value are included in the table above. All of the above financial instruments are available-for-sale securities except for those held in the deferred compensation trusts (which are trading securities) and derivative assets and 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 September 30, 2017: money market funds of $7 million, U.S. agency securities of $10 million, U.S. Treasury securities of $75 million, corporate debt securities of $124 million and commercial paper of $5 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 amortized cost of these available-for-sale securities is not materially different from the fair value. During the three and nine months ended September 30, 2017, proceeds from sales and maturities of available-for-sale securities were $34 million and $78 million, respectively, compared to $38 million and $252 million for the corresponding periods of 2016.

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 Note 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 Condensed Consolidated Balance Sheet are as follows:

		September 30, 2017		December 31, 2016	
(in thousands)	**Fair Value Hierarchy**	**Carrying Value**	**Fair Value**	**Carrying Value**	**Fair Value**
Assets:					
Cash[1]	Level 1	$1,060,967	$1,060,967	$1,133,295	$1,133,295
Cash equivalents[2]	Level 2	751,287	751,287	696,106	696,106
Marketable securities, current[3]	Level 2	102,145	102,145	56,197	56,197
Notes receivable, including noncurrent portion[4]	Level 3	21,899	21,899	29,458	29,458
Liabilities:					
1.750% Senior Notes[5]	Level 2	$ 586,607	$ 612,877	$ 523,629	$ 551,582
3.375% Senior Notes[5]	Level 2	496,647	517,350	496,011	512,510
3.5% Senior Notes[5]	Level 2	493,080	515,920	492,360	508,230
Revolving Credit Facility[6]	Level 2	—	—	52,735	52,735
Other borrowings, including noncurrent portion[7]	Level 2	41,365	41,365	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 11. The carrying amount of the borrowings under this revolving credit facility approximated 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 amounts of the borrowings under these arrangements approximate fair value because of the short-term maturity.

(9) 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 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.

As of September 30, 2017, the company had total gross notional amounts of approximately $884 million of foreign currency contracts (primarily related to the British Pound, Kuwaiti Dinar, Indian Rupee, Philippine Peso and South Korean Won) and $0.4 million for a commodity contract outstanding related to hedging of engineering and construction contract obligations. The foreign currency contracts are of varying duration, none of which extend beyond December 2019. The commodity contract expires in December 2017. The impact to earnings due to hedge ineffectiveness was immaterial for the three and nine months ended September 30, 2017 and 2016.

The fair values of derivatives designated as hedging instruments under ASC 815 as of September 30, 2017 and December 31, 2016 were as follows:

	Asset Derivatives			Liability Derivatives		
(in thousands)	**Balance Sheet Location**	**September 30, 2017**	**December 31, 2016**	**Balance Sheet Location**	**September 30, 2017**	**December 31, 2016**
Commodity contracts	Other current assets	$ 102	$ 83	Other accrued liabilities	$ —	$ 129
Foreign currency contracts	Other current assets	14,593	13,231	Other accrued liabilities	16,387	16,543
Foreign currency contracts	Other assets	8,967	21,545	Noncurrent liabilities	13,738	27,031
Total		$ 23,662	$ 34,859		$ 30,125	$ 43,703

The pre-tax net gains (losses) recognized in earnings associated with the hedging instruments designated as fair value hedges for the three and nine months ended September 30, 2017 and 2016 were as follows:

		Three Months Ended September 30,		Nine Months Ended September 30,	
Fair Value Hedges (in thousands)	**Location of Gain (Loss)**	**2017**	**2016**	**2017**	**2016**
Foreign currency contracts	Corporate general and administrative expense	$ 1,310	$ 629	$ 5,415	$ (697)

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 Condensed Consolidated Statement of Earnings.

The after-tax amount of gain (loss) recognized in OCI associated with the derivative instruments designated as cash flow hedges was as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
Cash Flow Hedges (in thousands)	**2017**	**2016**	**2017**	**2016**
Commodity contracts	$ 53	$ (20)	$ 45	$ 281
Foreign currency contracts	(1,027)	1,253	2,106	(1,232)
Total	$ (974)	$ 1,233	$ 2,151	$ (951)

The after-tax amount of gain (loss) reclassified from AOCI into earnings associated with the derivative instruments designated as cash flow hedges was as follows:

		Three Months Ended September 30,		Nine Months Ended September 30,	
Cash Flow Hedges (in thousands)	**Location of Gain (Loss)**	**2017**	**2016**	**2017**	**2016**
Commodity contracts	Total cost of revenue	$ 26	$ (109)	$ (10)	$ (286)
Foreign currency contracts	Total cost of revenue	806	(266)	993	(2,383)
Interest rate contracts	Interest expense	(262)	(262)	(786)	(786)
Total		$ 570	$ (637)	$ 197	$ (3,455)

As of September 30, 2017 and 2016, the company had total gross notional amounts of $106 million and $0.3 million, respectively, of foreign currency contracts outstanding that were not designated as hedging instruments. As of September 30, 2016, the company also had total gross notional amounts of $0.1 million of commodity contracts outstanding that were not designated as hedging instruments. These contracts primarily related to engineering and construction contract obligations and monetary assets and liabilities denominated in nonfunctional currencies. As of September 30, 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 $0.5 million and $3.4 million associated with the company's derivatives and embedded derivatives were included in Cost of Revenue for the three and nine months ended September 30, 2017, respectively. A loss of $0.3 million and a gain of less than $0.1 million associated with the company's derivatives were included in Cost of Revenue for the three and nine months ended September 30, 2016, respectively.

(10) Retirement Benefits

Net periodic pension expense for the company's defined benefit pension plans included the following components:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands)	**2017**	**2016**	**2017**	**2016**
Service cost	$ 4,763	$ 4,966	$ 13,676	$ 14,712
Interest cost	5,687	6,603	16,437	20,123
Expected return on assets	(10,356)	(9,829)	(29,840)	(30,138)
Amortization of prior service credit	(214)	(212)	(612)	(619)
Recognized net actuarial loss	2,034	2,275	5,842	6,681
Net periodic pension expense	$ 1,914	$ 3,803	$ 5,503	$ 10,759

The company currently expects to contribute up to $20 million into its defined benefit pension plans during 2017, which is expected to be in excess of the minimum funding required. During the nine months ended September 30, 2017, contributions of approximately $13 million were made by the company.

(11) Financing Arrangements

As of September 30, 2017, the company had both committed and uncommitted lines of credit available to be used for revolving loans and letters of credit. As of September 30, 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 contains 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.

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

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

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

For the 2016 Notes, the 2014 Notes and the 2011 Notes, if a change of control triggering event occurs, as defined by the terms of the respective indentures, the company will be required to offer to purchase 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 $41 million as of September 30, 2017 and $35 million as of December 31, 2016 primarily represent bank loans and other financing arrangements resulting from the acquisition of Stork, exclusive of the Stork Notes.

As of September 30, 2017, the company was in compliance with all of the financial covenants related to its debt agreements.

(12) Stock-Based Plans

The company's executive and director stock-based compensation plans are described, and informational disclosures are provided, in the Notes to Consolidated Financial Statements included in the Form 10-K for the year ended December 31, 2016. In the first nine months of 2017 and 2016, restricted stock units totaling 402,783 and 553,415, respectively, were granted to executives and directors, at weighted-average grant date fair values of $52.57 per share and $43.77 per share, respectively. Restricted stock units granted to executives in 2017 and 2016 generally vest ratably over three years. Restricted stock units granted to directors in 2017 and 2016 generally vest 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 represents the closing price of the company's common stock on the date of grant discounted for the post-vest holding period, when applicable.

During the first nine months of 2017 and 2016, stock options for the purchase of 1,103,817 shares at a weighted-average exercise price of $55.35 per share and 662,001 shares at a weighted-average exercise price of $46.07 per share, respectively, were awarded to executives. The exercise price of options represents the closing price of the company's common stock on the date of grant. The options granted in 2017 and 2016 vest ratably over three years and expire ten years after the grant date.

In the first nine months of 2017 and 2016, performance-based Value Driver Incentive ("VDI") units totaling 249,204 and 296,052, 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. The performance targets for each year are generally established in the first quarter of that year. Under ASC 718, performance-based awards are not deemed granted for accounting purposes until the performance targets have been established. Accordingly, only one-third of the units awarded in any given year are deemed to be granted each year of the three year vesting period. During the first nine months of 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. 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 and 2016 VDI plans can only be settled in company stock and are accounted for as equity awards in accordance with ASC 718.

(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 Condensed 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 three and nine months ended September 30, 2017, net earnings attributable to noncontrolling interests were $18 million and $53 million, respectively. For the three and nine months ended September 30, 2016, net earnings attributable to noncontrolling interests were $13 million and $46 million, respectively. Income taxes associated with earnings attributable to noncontrolling interests were immaterial in both periods presented. Distributions paid to noncontrolling interests were $24 million and $26 million for the nine months ended September 30, 2017 and 2016, respectively. Capital contributions by noncontrolling interests were $5 million and $9 million for the nine months ended September 30, 2017 and 2016, respectively.

(14) **Contingencies and Commitments**

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

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

Other Matters

The company has made claims arising from the performance under its contracts. The company recognizes revenue, but not profit, for certain claims (including change orders in dispute and unapproved change orders in regard to both scope and price) when it is determined that recovery of incurred costs is probable and the amounts can be reliably estimated. Under claims accounting (ASC 605-35-25), these requirements are satisfied when (a) the contract or other evidence provides a legal basis for the claim, (b) additional costs were caused by circumstances that were unforeseen at the contract date and not the result of deficiencies in the company's performance, (c) claim-related costs are identifiable and considered reasonable in view of the work performed, and (d) evidence supporting the claim is objective and verifiable. Similarly, the company recognizes disputed back charges to suppliers or subcontractors as a reduction of cost when the same requirements have been satisfied. The company periodically evaluates its positions and the amounts recognized with respect to all its claims and back charges. As of September 30, 2017 and December 31, 2016, the company had recorded $80 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 $43 million and $41 million as of September 30, 2017 and December 31, 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.

(15) Guarantees

In the ordinary course of business, the company enters into various agreements providing performance assurances and guarantees to clients on behalf of certain unconsolidated and consolidated partnerships, joint ventures and other jointly executed contracts. These agreements are entered into primarily to support the project execution commitments of these entities. The performance guarantees have various expiration dates ranging from mechanical completion of the project being constructed to a period extending beyond contract completion in certain circumstances. The maximum potential amount of future payments that the company could be required to make under outstanding performance guarantees, 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 $15 billion as of September 30, 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 September 30, 2017 and December 31, 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 receivable related to work performed for unconsolidated partnerships and joint ventures included in “Accounts and notes receivable, net” on the Condensed Consolidated Balance Sheet were $127 million and $392 million as of September 30, 2017 and December 31, 2016, respectively. The decrease in this receivable balance in 2017 resulted primarily 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 Condensed Consolidated Balance Sheet were $21 million and $19 million as of September 30, 2017 and December 31, 2016, respectively.

For unconsolidated partnerships and joint ventures in the construction industry, the company generally recognizes its proportionate share of revenue, cost and profit in its Condensed Consolidated Statement of Earnings and uses the one-line equity method of accounting on the Condensed 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 $711 million and $454 million as of September 30, 2017 and December 31, 2016, respectively, and were classified under “Investments” and “Other accrued liabilities” on the Condensed Consolidated Balance Sheet.

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 an additional investment of $62 million in the third quarter of 2016 and has a future funding commitment of $78 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 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. 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 Condensed Consolidated Balance Sheet was a net asset of $238 million as of September 30, 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 September 30, 2017 for the unconsolidated VIEs were $43 million.

In some cases, the company is required to consolidate certain VIEs. As of September 30, 2017, the carrying values of the assets and liabilities associated with the operations of the consolidated VIEs were $1.0 billion and $582 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, 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. A discussion of some of the company's more significant or unique VIEs is provided in the Notes to Consolidated Financial Statements included in the Form 10-K for the year ended December 31, 2016.

(17) Operating Information by Segment

A description of the company's reportable segments is provided in the Notes to Consolidated Financial Statements included in the Form 10-K for the year ended December 31, 2016. 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.

Operating information by reportable segment is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
External Revenue (in millions)	**2017**	**2016**	**2017**	**2016**
Energy, Chemicals & Mining	$ 2,412.8	$ 2,325.2	$ 7,019.0	$ 7,245.1
Industrial, Infrastructure & Power	1,138.8	1,128.3	3,364.6	2,971.6
Government	766.0	681.2	2,275.4	2,025.1
Diversified Services	624.0	632.2	1,834.6	1,805.1
Total external revenue	$ 4,941.6	$ 4,766.9	$14,493.6	$14,046.9

Intercompany revenue for the Diversified Services segment, excluded from the amounts shown above, was $144 million and $445 million for the three and nine months ended September 30, 2017, respectively, and $133 million and $373 million for the three and nine months ended September 30, 2016, respectively.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
Segment Profit (Loss) (in millions)	**2017**	**2016**	**2017**	**2016**
Energy, Chemicals & Mining	$ 104.3	$ (59.7)	$ 319.1	$ 247.8
Industrial, Infrastructure & Power	33.3	28.4	(141.5)	91.7
Government	30.2	26.4	78.9	65.5
Diversified Services	35.4	29.5	94.4	90.7
Total segment profit	$ 203.2	$ 24.6	$ 350.9	$ 495.7

Energy, Chemicals & Mining. Segment profit in the Energy, Chemicals & Mining segment for the three and nine months ended September 30, 2016 was adversely affected by pre-tax charges of $241 million (or $1.10 per diluted share) and $265 million (or $1.20 per diluted share), respectively, related to forecast revisions for estimated cost increases on a petrochemical project in the United States.

Industrial, Infrastructure & Power. Segment profit in the Industrial, Infrastructure & Power segment for the nine months ended September 30, 2017 was adversely affected by pre-tax charges totaling $219 million (or $0.99 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, which were recognized in the first half of 2017.

Segment profit in the Industrial, Infrastructure & Power segment for the three and nine months ended September 30, 2017 and 2016 included the operations of NuScale, which are primarily 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 $20 million and $53 million for the three and nine months ended September 30, 2017, respectively, and $22 million and $70 million for the three and nine months ended September 30, 2016, respectively. NuScale expenses were net of qualified reimbursable expenses of $12 million and $32 million for the three and nine month periods of 2017, respectively, and $15 million and $47 million for the three and nine months periods of 2016, respectively. A discussion of the cooperative agreement between NuScale and the U.S. Department of Energy is provided in the Notes to Consolidated Financial Statements included in the Form 10-K for the year ended December 31, 2016.

A reconciliation of total segment profit to earnings (loss) before taxes is as follows:

Reconciliation of Total Segment Profit to Earnings (Loss) Before Taxes (in millions)	Three Months Ended September 30, 2017	Three Months Ended September 30, 2016	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016
Total segment profit	$ 203.2	$ 24.6	$ 350.9	$ 495.7
Corporate general and administrative expense	(46.0)	(27.1)	(138.3)	(134.9)
Interest income (expense), net	(10.2)	(12.8)	(30.3)	(38.4)
Earnings attributable to noncontrolling interests	18.4	12.6	52.6	45.6
Earnings (loss) before taxes	$ 165.4	$ (2.7)	$ 234.9	$ 368.0

Total assets by segment are as follows:

Total Assets by Segment (in millions)	September 30, 2017	December 31, 2016
Energy, Chemicals & Mining	$ 1,917.1	$ 2,348.0
Industrial, Infrastructure & Power	828.4	750.1
Government	512.9	493.7
Diversified Services	2,123.0	1,952.7

The increase in total assets in the Industrial, Infrastructure & Power, Government and Diversified Services segments resulted from increased working capital in support of project execution activities. The decrease in total assets in the Energy, Chemicals & Mining segment resulted from decreased working capital in support of project execution activities.

Total assets in the Industrial, Infrastructure & Power segment as of September 30, 2017 included accounts receivable related to two subcontracts with Westinghouse Electric Company LLC ("Westinghouse") to manage the construction workforce at nuclear power plant projects in Georgia ("Plant Vogtle") and South Carolina ("V.C. Summer"). 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. The company has 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.

On July 31, 2017, the V.C. Summer project was cancelled by the owner of the project and the company has demobilized from the site. On August 31, 2017, the owner of the Plant Vogtle project cancelled its contract with Westinghouse. The owner then entered into a bridge contract with the company to provide services until the remaining scope of work is transferred to the new contractor. Based on agreements with the owners of both projects, the company has been compensated by the owners for certain pre-petition services rendered to Westinghouse, and continues to be compensated for post-petition services. In addition to amounts due for post-petition services, total assets as of September 30, 2017 included amounts due of $66 million and $2 million for services provided to V.C. Summer and Plant Vogtle, respectively, prior to the date of the bankruptcy petition. 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.

(18) **Acquisition of Stork Holding B.V.**

On March 1, 2016 ("the acquisition date"), the company acquired 100 percent of Stork for an aggregate purchase price of €695 million (or approximately $756 million), including the assumption of debt and other liabilities. Stork, based in the Netherlands, is a global provider of maintenance, modification and asset integrity services associated with large existing industrial facilities in the oil and gas, chemicals, petrochemicals, industrial and power markets. The company paid €276 million (or approximately $300 million) in cash consideration. The company borrowed €200 million (or approximately $217 million) under its $1.7 billion Revolving Loan and Letter of Credit Facility, and paid €76 million (or approximately $83 million) of cash on hand to initially finance the Stork acquisition. The €200 million borrowed under the $1.7 billion Revolving Loan and Letter of Credit Facility was subsequently repaid from the net proceeds of the 2016 Notes as discussed in Note 11.

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), was 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.

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.

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 progress	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 $350 million and $2 million for the three months ended September 30, 2016, respectively, and $863 million and $9 million for the nine months ended September 30, 2016, respectively, were included in the Condensed Consolidated Statement of Earnings. Integration costs of $1 million and $12 million for the three and nine months ended September 30, 2016, respectively, and transaction costs of $11 million for the nine months ended September 30, 2016, respectively, were included in corporate general and administrative expense. No transactions costs were recorded during the three months ended September 30, 2016.

The following pro forma financial information reflects the company's consolidated operating results as if the Stork acquisition had occurred on January 1, 2015 and includes adjustments for debt refinancing and transaction costs.

	Three Months Ended September 30,	Nine Months Ended September 30,
(in thousands)	2016	2016
Pro forma revenue	$ 4,767,554	$ 14,286,272
Pro forma net earnings attributable to Fluor Corporation	5,565	216,445

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis should be read in conjunction with the Condensed Consolidated Financial Statements and notes and the company's December 31, 2016 Annual Report on Form 10-K. 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; and other non-operating income and expense items.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Certain statements made herein, including statements regarding the company's projected revenue and earnings levels, cash flow and liquidity, new awards and backlog levels and the implementation of strategic initiatives are forward-looking in nature. 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. Factors potentially contributing to such differences include, among others:

- The cyclical nature of many of the markets the company serves, including our commodity-based business lines, and our vulnerability to downturns;
- The company's failure to receive anticipated new contract awards and the related impact on revenue, earnings, staffing levels and cost;
- Difficulties or delays incurred in the execution of contracts, or failure to accurately estimate the resources and time necessary for our contracts, resulting in cost overruns or liabilities, including those caused by the performance of our clients, subcontractors, suppliers and joint venture or teaming partners;
- Project cancellations, scope adjustments or deferrals, or foreign currency fluctuations, that could reduce the amount of our backlog and the revenue and profits that the company earns;
- Intense competition in the global engineering, procurement and construction industry, which can place downward pressure on our contract prices and profit margins;
- Current economic conditions affecting our clients, partners, subcontractors and suppliers, which may result in decreased capital investment or expenditures, or a failure to make anticipated increased capital investment or expenditures, by the company's clients or other financial difficulties by our partners, subcontractors or suppliers;
- Changes in global business, economic (including currency risk), political and social conditions;
- Civil unrest, security issues, labor conditions and other unforeseeable events in the countries in which we do business, resulting in unanticipated losses;
- Failure of our joint venture partners to perform their venture obligations, which could impact the success of those ventures and impose additional financial and performance obligations on us, resulting in reduced profits or losses;
- Cybersecurity breaches of our systems and information technology;
- Failure to obtain favorable results in existing or future litigation or dispute resolution proceedings (including claims for indemnification), or claims against project owners, subcontractors or suppliers;
- Client delays or defaults in making payments;
- Failure to meet timely completion or performance standards that could result in higher cost and reduced profits or, in some cases, losses on projects;
- Liabilities arising from faulty services that could result in significant professional or product liability, warranty or other claims;
- Failure of our suppliers or subcontractors to provide supplies or services at the agreed-upon levels or times;
- Repercussions of events beyond our control, such as severe weather conditions, that may significantly affect operations, result in higher cost or subject the company to liability claims by our clients;
- Client cancellations of, or scope adjustments to, existing contracts and the related impacts on staffing levels and cost;
- Failure of our employees, agents or partners to comply with laws, which could result in harm to our reputation and reduced profits or losses;
- The potential impact of certain tax matters including, but not limited to, those from foreign operations and the ongoing audits by tax authorities;
- Possible systems and information technology interruptions or the failure to adequately protect intellectual property rights;
- The impact of anti-bribery and international trade laws and regulations;
- The impact of new or changing legal requirements, as well as past and future environmental, health and safety

regulations including climate change regulations;

- The failure to be adequately indemnified for our nuclear services;
- Foreign exchange risks;
- The inability to hire and retain qualified personnel;
- Failure to maintain safe work sites;
- The availability of credit and restrictions imposed by credit facilities, both for the company and our clients, suppliers, subcontractors or other partners;
- Possible limitations of bonding or letter of credit capacity;
- The risks associated with acquisitions, dispositions or other investments, including the failure to successfully integrate acquired businesses;
- The company's ability to secure appropriate insurance;
- Restrictions on possible transactions imposed by our charter documents and Delaware law.

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, the company's actual results may differ materially from its expectations or projections. While most risks affect only future cost or revenue anticipated by the company, some risks may relate to accruals that have already been reflected in earnings. The company's failure to receive payments of accrued amounts or incurrence of 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.

Additional information concerning these and other factors can be found in the company's press releases and periodic filings with the Securities and Exchange Commission, including the discussion under the heading "Item 1A. — Risk Factors" in the company's Form 10-K filed February 17, 2017. These filings are available publicly on the SEC's website at http://www.sec.gov, on the company's website at http://investor.fluor.com or upon request from the company's Investor Relations Department at (469) 398-7070. The company cannot control such risk factors and other uncertainties, and in many cases, cannot predict the risks and uncertainties that could cause actual results to differ materially from those indicated by the forward-looking statements. These risks and uncertainties should be considered when evaluating the company and deciding whether to invest in its securities. Except as otherwise required by law, the company undertakes no obligation to publicly update or revise its forward-looking statements, whether as a result of new information, future events or otherwise.

RESULTS OF OPERATIONS

Summary

Consolidated revenue of $4.9 billion for the three months ended September 30, 2017 increased 4 percent compared to $4.8 billion for the three months ended September 30, 2016. During the three month period, revenue increased in the Energy, Chemicals & Mining and Government segments, while revenue from the Industrial, Infrastructure & Power and Diversified Services segments was consistent with prior year levels. Consolidated revenue of $14.5 billion for the nine months ended September 30, 2017 increased 3 percent compared to $14.0 billion for the nine months ended September 30, 2016. During the nine month period, revenue growth in the Industrial, Infrastructure & Power; Government; and Diversified Services segments was partially offset by a revenue decline in the Energy, Chemicals & Mining segment.

Net earnings attributable to Fluor Corporation were $94 million and $131 million for the three and nine months ended September 30, 2017, respectively, compared to earnings attributable to Fluor Corporation of $5 million and $211 million for the corresponding periods of 2016. Earnings for the nine months ended September 30, 2017 were adversely affected by after-tax charges totaling $140 million resulting from forecast revisions for estimated cost growth at three fixed-price, gas-fired power plant projects in the southeastern United States, which were recognized in the first half of 2017. Earnings for the three and nine month periods of 2016 were adversely affected by after-tax charges of $154 million and $170 million, respectively, related to forecast revisions for estimated cost increases on a petrochemical project in the Energy, Chemicals & Mining segment. Apart from the adverse effects of the forecast revisions in both years, earnings for the three and nine months ended September 30, 2017 declined primarily in the Energy, Chemicals & Mining segment.

The effective tax rates for the three and nine months ended September 30, 2017 were 31.7 percent and 21.8 percent, respectively. The effective tax rate for the nine month period ended September 30, 2017 reflected a benefit due to a worthless stock deduction for an insolvent foreign subsidiary. The effective tax rates for the three and nine months ended September 30, 2016 reflected the favorable resolution of an IRS audit for tax years 2009-2013 and an increase in the research tax credit. All periods benefit from earnings attributable to noncontrolling interests for which income taxes are not typically the responsibility of the company.

Diluted earnings per share were $0.67 and $0.93 for the three and nine months ended September 30, 2017, respectively, compared to $0.03 and $1.50 for the corresponding periods of 2016. Earnings per share for the nine months ended September 30, 2017 were adversely affected by charges totaling $0.99 per diluted share resulting from forecast revisions for estimated cost growth at the three fixed-price, gas-fired power plant projects mentioned above. Prior year earnings were adversely affected by charges related to forecast revisions for estimated cost increases on the petrochemical project in the United States of $1.10 per diluted share and $1.20 per diluted share for the three and nine months ended September 30, 2016, respectively.

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

The company’s margins, in some cases, may be favorably or unfavorably impacted by a change in the mix of work performed or a change in the amount of materials and customer-furnished materials, which are accounted for as pass-through costs. Segment profit margins are generally higher during the earlier stages of the project life cycle as project execution activities are more heavily weighted to higher margin engineering activities rather than lower margin construction activities, particularly when there is a significant amount of materials, including customer-furnished materials, recognized during construction. For example, in the first nine months of 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, depressed commodity prices continue to affect the timing of new awards and the pace of execution on certain existing projects.

Consolidated new awards were $3.8 billion and $9.3 billion for the three and nine months ended September 30, 2017, respectively, compared to new awards of $7.0 billion and $18.1 billion for the three and nine months ended September 30, 2016. All business segments contributed to the new award activity in 2017. New awards in the third quarter of 2017 included a mining project in Chile, a propylene oxide project in Houston and a petrochemical project in Malaysia. Approximately 58 percent of consolidated new awards for the nine months ended September 30, 2017 were for projects located outside of the United States compared to 46 percent for the first nine months of 2016.

Consolidated backlog as of September 30, 2017 was $32.9 billion compared to $44.3 billion as of September 30, 2016. The decrease in backlog primarily resulted from the removal of two nuclear power plant projects for Westinghouse Electric Company LLC (“Westinghouse”) in South Carolina (“V.C. Summer”) and in Georgia (“Plant Vogtle”) and an adjustment made in the first quarter of 2017 to limit the contractual term of the Magnox nuclear decommissioning project in the United Kingdom (“Magnox RSRL Project”) to a five year term, as well as new award activity being outpaced by work performed. As of September 30, 2017, approximately 60 percent of consolidated backlog related to projects outside of the United States compared to 53 percent as of September 30, 2016. Although backlog reflects business which is considered to be firm, cancellations or scope adjustments may occur. Backlog is adjusted to reflect any known project cancellations, revisions to project scope and cost, and deferrals, as appropriate.

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 Condensed 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 an additional investment of $62 million in the third quarter of 2016 and has a future funding commitment of $78 million.

A description of the company's reportable segments is provided in the Notes to Consolidated Financial Statements included in the Form 10-K for the year ended December 31, 2016. 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.

Energy, Chemicals & Mining

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	**2017**	**2016**	**2017**	**2016**
Revenue	$ 2,412.8	$ 2,325.2	$ 7,019.0	$ 7,245.1
Segment profit (loss)	104.3	(59.7)	319.1	247.8

Revenue for the three months ended September 30, 2017 increased by 4 percent compared to the same period in 2016. The increase in revenue for the three month period is primarily due to increased project execution activities for certain downstream and mining and metals projects that were in early phases of execution in 2016. This increase was partially offset by reduced volume from certain chemicals projects nearing completion. Revenue for the nine months ended September 30, 2017 decreased by 3 percent compared to the same period in 2016. The decrease in revenue for the nine month period is primarily due to reduced volume from the aforementioned chemicals projects nearing completion and delays in the startup of awarded projects in Mexico, partially offset by an increase in project execution activities for certain downstream and mining and metals projects. Revenue in both periods of the prior year was adversely affected by forecast revisions for a large petrochemical project in the United States.

Segment profit for the three and nine months ended September 30, 2017 increased compared to the corresponding periods of 2016. Segment profit for the three and nine months ended September 30, 2016 included the adverse impact of forecast revisions for cost increases for a large petrochemical project. Apart from the adverse effects of the forecast revisions in the prior year periods, segment profit declined during the three and nine months ended September 30, 2017 due to lower volume for certain chemicals projects nearing completion, the work off of lower margin projects historically booked into backlog and lower volume of engineering hours performed. Segment profit margin for the three and nine months ended September 30, 2017 was 4.3 percent and 4.5 percent, respectively, compared to (2.6) percent and 3.4 percent, for the corresponding periods in 2016. The change in segment profit margin was primarily attributable to the same factors that affected segment profit.

New awards for the three and nine months ended September 30, 2017 were $2.6 billion and $4.3 billion, compared to $5.6 billion and $7.4 billion for the corresponding periods of 2016. The new awards in the current quarter include a mining project in Chile, a propylene oxide project in Houston and a petrochemical project in Malaysia. Backlog of $18.5 billion as of September 30, 2017 decreased from $23.7 billion as of September 30, 2016, primarily due to new award activity being outpaced by work performed. Client investment decisions continue to be delayed due to the low price of oil, which in turn, has delayed project start up and new awards. However, the company is beginning to see a renewed interest for projects in the copper, gold and iron ore replacements markets.

Total assets in the segment were $1.9 billion as of September 30, 2017 compared to $2.3 billion as of December 31, 2016.

Industrial, Infrastructure & Power

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	**2017**	**2016**	**2017**	**2016**
Revenue	$ 1,138.8	$ 1,128.3	$ 3,364.6	$ 2,971.6
Segment profit (loss)	33.3	28.4	(141.5)	91.7

Revenue for the three months ended September 30, 2017 remained flat when compared to the same period in 2016. Revenue growth from increased project execution activities for several life sciences and advanced manufacturing projects was offset by reduced levels of project execution for certain power and infrastructure projects. Revenue for the nine month period ended September 30, 2017 increased by 13 percent compared to the corresponding period in 2016, primarily due to increased project execution activity for several life sciences and advanced manufacturing projects.

Segment profit for the three months ended September 30, 2017 remained relatively flat compared to the prior year. Segment profit for the nine months ended September 30, 2017 was adversely affected by pre-tax charges of $219 million resulting from forecast revisions for estimated cost growth at three fixed price, gas fired power plants projects, which were recognized in the first half of 2017. Segment profit margin for the three and nine months ended September 30, 2017 was 2.9 percent and (4.2) percent, respectively, compared to 2.5 percent and 3.1 percent for the corresponding periods in 2016. The change in segment profit margin for the nine months ended September 30, 2017 was primarily attributable to the same factors that caused the change in segment profit.

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 $20 million and $53 million for the three and nine months ended September 30, 2017 compared to $22 million and $70 million for the three and nine months ended September 30, 2016.

New awards for the three and nine months ended September 30, 2017 were $628 million and $2.1 billion, compared to $74 million and $4.9 billion for the corresponding periods of 2016. Backlog decreased to $8.1 billion as of September 30, 2017 compared to $11.5 billion as of September 30, 2016 primarily due to the removal of the two Westinghouse nuclear power plant projects from backlog in 2017.

Total assets in the Industrial, Infrastructure & Power segment were $828 million as of September 30, 2017 compared to $750 million as of December 31, 2016. The increase in total assets in the Industrial, Infrastructure & Power segment resulted from increased working capital assets in support of project execution activities.

Total assets in the Industrial, Infrastructure & Power segment as of September 30, 2017 included accounts receivable related to 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, (i) the V.C. Summer project was cancelled by the owner and the company is demobilizing and (ii) the owner of the Plant Vogtle project entered into a bridge contract with the company to provide services until the remaining scope of work is transferred to the new contractor. In addition to amounts due for post-petition services, total assets as of September 30, 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 Condensed Consolidated Financial Statements.

Government

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	**2017**	**2016**	**2017**	**2016**
Revenue	$ 766.0	$ 681.2	$ 2,275.4	$ 2,025.1
Segment profit	30.2	26.4	78.9	65.5

Revenue for both the three and nine months ended September 30, 2017 increased 12 percent compared to the same periods in 2016. The revenue growth for both periods was primarily due to increases in project execution activities for several large multi-year decommissioning and cleanup projects. Revenue growth for the nine months ended September 30, 2017 also benefitted from increases in project execution activities associated with certain construction services projects.

Segment profit for the three months ended September 30, 2017 increased 14 percent when compared to the same period in 2016, primarily due to the favorable effect of cost optimization efforts. Segment profit for the nine months ended September 30, 2017 increased 20 percent when compared to the same period in 2016. This improvement was substantially driven by increased contributions from multi-year decommissioning and cleanup projects, overhead savings resulting from cost optimization activities and the favorable resolution of close-out activities on a completed project. Segment profit margins for the three and nine months ended September 30, 2017 were 3.9 percent and 3.5 percent, respectively, compared to 3.9 percent and 3.2 percent for the same periods in the prior year. The changes in segment profit margins were driven by the same factors that drove the changes to segment profit.

New awards for the three and nine months ended September 30, 2017 were $234 million and $1.5 billion compared to $955 million and $4.5 billion for the same periods in the prior year. New awards for the current quarter included additional services for the LOGCAP IV Africom Project, a three month extension for the Paducah Gaseous Diffusion Plant Project and a one year extension for a base operations support services contract. Backlog as of September 30, 2017 decreased to $3.6 billion compared to $5.9 billion as of September 30, 2016, primarily due to a customer decision to limit the contractual term of the Magnox RSRL Project to a five year term ending in August 2019. Total backlog included $1.0 billion and $3.8 billion of unfunded government contracts as of September 30, 2017 and 2016, respectively.

Total assets in the Government segment were $513 million as of September 30, 2017 compared to $494 million as of December 31, 2016.

Diversified Services

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	**2017**	**2016**	**2017**	**2016**
Revenue	$ 624.0	$ 632.2	$ 1,834.6	$ 1,805.1
Segment profit	35.4	29.5	94.4	90.7

Revenue for the three months ended September 30, 2017 decreased slightly compared to the same period in 2016. During the three month period ended September 30, 2017, revenue growth from the equipment business in North America largely offset revenue declines resulting from the completion of certain large Stork projects in Australia. Revenue for the nine months ended September 30, 2017 increased by 2 percent compared to the same period in 2016. The increase in revenue was primarily due to the inclusion of nine months of revenue associated with the acquisition of the Stork business in 2017 compared to seven months during the prior year period, as well as revenue growth from the equipment business in North America. These revenue increases were partially offset by a lower level of project execution activities in the Power Services business.

Segment profit for the three months ended September 30, 2017 increased by 20 percent compared to the same period in 2016, primarily due to increased contributions from the close-out of certain Stork projects and higher volumes in the equipment business. Segment profit for the nine months ended September 30, 2017 increased by 4 percent compared to the corresponding period in 2016. Increased contributions from the equipment business were partially offset by lower contributions from the Stork business. Segment profit margin for the three and nine months ended September 30, 2017 was 5.7 percent and 5.1 percent, respectively, compared to 4.7 percent and 5.0 percent for the same periods of 2016. The change in segment profit margin during both periods was primarily due to the same factors affecting segment profit.

New awards in the Diversified Services segment for the three and nine months ended September 30, 2017 were $338 million and $1.4 billion, respectively, compared to $350 million and $1.4 billion for the corresponding periods of 2016. Backlog of $2.7 billion as of September 30, 2017 decreased from $3.3 billion as of September 30, 2016. The reduction in backlog resulted from new award activity in the Stork and power services businesses being outpaced by work performed.

Total assets in the Diversified Services segment were $2.1 billion as of September 30, 2017 compared to $2.0 billion as of December 31, 2016.

Other

Corporate general and administrative expense for the three and nine months ended September 30, 2017 was $46 million and $138 million compared to $27 million and $135 million for the three and nine months ended September 30, 2016. The increase in corporate general and administrative expense for the three month period was primarily attributable to a foreign currency exchange loss in the current year period compared to a foreign currency exchange gain in the prior year period, as well as a downward adjustment to performance-based compensation in the prior year as a result of reduced earnings in the period. The slight increase in corporate general and administrative expense for the nine month period was primarily attributable to a foreign currency exchange loss in the current year period compared to a foreign currency exchange gain in the prior year period, partially offset by transaction costs and integration activities associated with the Stork acquisition incurred in 2016. Net interest expense was $10 million and $30 million for the three and nine months ended September 30, 2017 compared to $13 million and $38 million during the corresponding periods of 2016. Income tax expense for the three and nine months ended September 30, 2017 and 2016 is discussed above under "— Summary."

RECENT ACCOUNTING PRONOUNCEMENTS

See Note 2 of the Notes to Condensed Consolidated Financial Statements.

LITIGATION AND MATTERS IN DISPUTE RESOLUTION

See Note 14 of the Notes to Condensed 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 substantial cash position, is sufficient to support operating requirements. However, the company regularly reviews its sources and uses of liquidity and may pursue opportunities to increase its liquidity position. The company's financial strategy and consistent performance have earned it strong credit ratings, resulting in competitive advantage and continued access to the capital markets. As of September 30, 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 as of September 30, 2017 compared to $1.9 billion as of December 31, 2016. Cash and cash equivalents combined with current and noncurrent marketable securities were $2.1 billion as of both September 30, 2017 and December 31, 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 $976 million and $1.0 billion as of September 30, 2017 and December 31, 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 $522 million and $440 million as of September 30, 2017 and December 31, 2016, respectively, as reflected on the Condensed 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 $970 billion and $764 million as of September 30, 2017 and December 31, 2016, respectively, as reflected on the Condensed 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 September 30, 2017 and December 31, 2016 and, as a result, has accrued the U.S. deferred tax liability on foreign earnings, as appropriate.

Operating Activities

Cash flows from operating activities result primarily from earnings sources and are affected by changes in operating assets and liabilities which consist primarily of working capital balances for projects. Working capital levels vary from period to period and are primarily affected by the company's volume of work. These levels are also impacted by the mix, stage of completion and commercial terms of engineering and construction projects, as well as the company's execution of its projects within budget. Working capital requirements also vary by project and relate to clients in various industries and locations throughout the world. Most contracts require payments as the projects progress. The company evaluates the counterparty credit risk of third parties as part of its project risk review process. The company maintains adequate 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 the nine months ended September 30, 2017, working capital declined primarily due to decreases in accounts receivable and contract work in progress and an increase in advance billings, partially offset by a decrease in accounts payable and an increase in prepaid income taxes. Specific factors related to these drivers include:

- 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.
- A decrease in accounts payable in the Energy, Chemicals & Mining segment, which resulted primarily from normal invoicing and payment activities.
- Increases in advance billings for both the Energy, Chemicals & Mining and Industrial, Infrastructure & Power segments, which resulted primarily from normal project execution activities.

During the nine months ended September 30, 2016, working capital increased primarily due to increases in accounts receivable and contract work in progress partially offset by an increase in accounts payable. Specific factors related to these drivers include:

- An increase in accounts receivable in the Energy, Chemicals & Mining segment, which resulted primarily from normal billing activities for several projects.
- 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.
- Increases in accounts payable for both the Energy, Chemicals & Mining and Industrial, Infrastructure & Power segments, which resulted primarily from normal invoicing and payment activities.

Cash provided by operating activities was $551 million for the nine months ended September 30, 2017 compared to $452 million for the corresponding period of the prior year. The increase in cash provided by operating activities resulted primarily from favorable changes in working capital partially offset by a lower level of net earnings in the current year.

The company contributed $13 million into its defined benefit pension plans during the nine months ended September 30, 2017 compared to $15 million during the corresponding period of the prior year. The company currently expects to contribute up to $20 million during 2017, which is expected to be in excess of the minimum funding required.

Investing Activities

Cash utilized by investing activities amounted to $456 million and $717 million for the nine months ended September 30, 2017 and 2016, 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 the nine months ended September 30, 2017, purchases of marketable securities exceeded proceeds from sales and maturities of such securities by $54 million. During the nine months ended September 30, 2016, proceeds from sales and maturities of marketable securities exceeded purchases of such securities by $136 million. The company held combined current and noncurrent marketable securities of $309 million and $255 million as of September 30, 2017 and December 31, 2016, respectively.

Capital expenditures of $216 million and $166 million for the nine months ended September 30, 2017 and 2016, respectively, primarily related to construction equipment associated with the equipment operations in the Diversified Services segment, as well as expenditures for facilities and investments in information technology. Proceeds from the disposal of property, plant and equipment of $56 million and $61 million during the nine months ended September 30, 2017 and 2016, respectively, primarily related to the disposal of construction equipment associated with the equipment operations in the Diversified Services segment.

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 11 to the Condensed Consolidated Financial Statements.

Investments in unconsolidated partnerships and joint ventures were $242 million and $518 million during the nine months ended September 30, 2017 and 2016, respectively. Investments during the nine months ended September 30, 2017 included capital contributions to an Energy, Chemicals & Mining joint venture in the United States. Investments during the nine months ended September 30, 2016 included cash investment totaling $412 million in COOEC Fluor Heavy Industries Co., Ltd. ("CFHI"), a joint venture in which the company has a 49% ownership interest and Offshore Oil Engineering Co., Ltd., a subsidiary of China National Offshore Oil Corporation, has 51% ownership interest. Through CFHI, the two companies own, operate and manage the Zhuhai Fabrication Yard in China's Guangdong province. The company has a future funding commitment of $78 million.

Financing Activities

Cash utilized by financing activities of $160 million during the nine months ended September 30, 2017 and cash provided by financing activities of $98 million during the nine months ended September 30, 2016 included 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.

Cash utilized by financing activities during the nine months ended September 30, 2016 also included the repurchase and cancellation of 202,650 shares of the company's common stock for approximately $10 million under its stock repurchase program.

Quarterly cash dividends are typically paid during the month following the quarter in which they are declared. Therefore, dividends declared in the fourth quarter of 2016 were paid in the first quarter of 2017. Quarterly cash dividends of $0.21 per share were declared in the third quarter of 2017 and 2016. The payment and level of future cash dividends is subject to the discretion of the company's Board of Directors.

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

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

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

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

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 totaling $24 million and $26 million during the nine months ended September 30, 2017 and 2016, respectively, primarily related to two transportation joint venture projects in the United States.

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 the nine months ended September 30, 2017, most major foreign currencies strengthened against the U.S. dollar resulting in unrealized translation gains of $101 million, of which $42 million related to cash held by foreign subsidiaries. During the nine months ended September 30, 2016, some major foreign currencies weakened against the U.S. dollar resulting in unrealized translation losses of $63 million, of which $3 million 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

Guarantees and Commitments

As of September 30, 2017, the company had both committed and uncommitted lines of credit available to be used for revolving loans and letters of credit. As of September 30, 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.

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 $15 billion as of September 30, 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 September 30, 2017 and December 31, 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.

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 Note 16 to the Condensed Consolidated Financial Statements.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

There have been no material changes to market risk in the first nine months of 2017. Accordingly, the disclosures provided in the Annual Report on Form 10-K for the year ended December 31, 2016 remain current.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Based on their evaluation as of the end of the period covered by this report, our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) of the Exchange Act) are effective as required by paragraph (b) of Rule 13a-15 or Rule 15d-15 of the Exchange Act.

Changes in Internal Control over Financial Reporting

There were no changes to our internal control over financial reporting that occurred during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

FLUOR CORPORATION
CHANGES IN CONSOLIDATED BACKLOG

UNAUDITED

	Three Months Ended September 30,	
(in millions)	**2017**	**2016**
Backlog – beginning of period	$ 37,570.5	$ 47,321.7
New awards	3,822.9	7,021.5
Adjustments and cancellations, net[1]	(3,659.2)	(5,356.3)
Work performed	(4,819.0)	(4,661.6)
Backlog – end of period	$ 32,915.2	$ 44,325.3

	Nine Months Ended September 30,	
(in millions)	**2017**	**2016**
Backlog – beginning of period	$ 45,011.9	$ 44,726.1
New awards	9,331.0	18,134.7
Acquisition of Stork	—	1,533.7
Adjustments and cancellations, net[1]	(7,265.4)	(6,338.5)
Work performed	(14,162.3)	(13,730.7)
Backlog – end of period	$ 32,915.2	$ 44,325.3

(1) Adjustments and cancellations, net during the three months ended September 30, 2017 resulted primarily from the removal of the Plant Vogtle nuclear power plant project from backlog. Adjustments and cancellations, net in the first nine months of 2017 also included the removal of the V.C. Summer nuclear power plant project, 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 in the three and nine months ended September 30, 2016 resulted primarily from an adjustment for a liquefied natural gas project that was suspended in the third quarter of 2016, as well as project scope reductions and exchange rate fluctuations.

PART II: OTHER INFORMATION

Item 1. 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 matters in dispute, see Note 14 to the Consolidated Financial Statements included in the company's Annual Report on Form 10-K for the year ended December 31, 2016 as filed with the Securities and Exchange Commission on February 17, 2017, and Note 14 to the Condensed Consolidated Financial Statements under Part I, Item 1 of this Quarterly Report on Form 10-Q.

Item 1A. Risk Factors

There have been no material changes from our risk factors as disclosed in our Annual Report on Form 10-K for the year ended December 31, 2016.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

(c) The following table provides information about purchases by the company during the quarter ended September 30, 2017 of equity securities that are registered by the company pursuant to Section 12 of the Exchange Act.

Issuer Purchases of Equity Securities

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 the Plans or Program (1)
July 1, 2017 – July 31, 2017	—	$ —	—	11,610,219
August 1, 2017 – August 31, 2017	—	—	—	11,610,219
September 1, 2017 – September 30, 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.

Item 6. Exhibits

EXHIBIT INDEX

Exhibit	Description
3.1	Amended and Restated Certificate of Incorporation of the registrant (incorporated by reference to Exhibit 3.1 to the registrant's Current Report on Form 8-K filed on May 8, 2012).
3.2	Amended and Restated Bylaws of the registrant (incorporated by reference to Exhibit 3.2 to the registrant's Current Report on Form 8-K filed on February 9, 2016).
4.1	Senior Debt Securities Indenture between Fluor Corporation and Wells Fargo Bank, National Association, as trustee, dated as of September 8, 2011 (incorporated by reference to Exhibit 4.3 to the registrant's Current Report on Form 8-K filed on September 8, 2011).
4.2	First Supplemental Indenture between Fluor Corporation and Wells Fargo Bank, National Association, as trustee, dated as of September 13, 2011 (incorporated by reference to Exhibit 4.4 to the registrant's Current Report on Form 8-K filed on September 13, 2011).
4.3	Second Supplemental Indenture between Fluor Corporation and Wells Fargo Bank, National Association, as trustee, dated as of June 22, 2012 (incorporated by reference to Exhibit 4.2 to the registrant's Form S-3ASR filed on June 22, 2012).
4.4	Third Supplemental Indenture between Fluor Corporation and Wells Fargo Bank, National Association, as trustee, dated as of November 25, 2014 (incorporated by reference to Exhibit 4.1 to the registrant's Current Report on Form 8-K filed on November 25, 2014).
4.5	Fourth Supplemental Indenture between Fluor Corporation and Wells Fargo Bank, National Association, as trustee, dated as of March 21, 2016 (incorporated by reference to Exhibit 4.3 to the registrant's Current Report on Form 8-K filed on March 21, 2016).
10.1	Fluor Corporation 2003 Executive Performance Incentive Plan, as amended and restated as of March 30, 2005 (incorporated by reference to Exhibit 10.15 to the registrant's Quarterly Report on Form 10-Q filed on May 5, 2005).
10.2	Form of Compensation Award Agreements for grants under the Fluor Corporation 2003 Executive Performance Incentive Plan (incorporated by reference to Exhibit 10.16 to the registrant's Quarterly Report on Form 10-Q filed on November 9, 2004).
10.3	Fluor Corporation Amended and Restated 2008 Executive Performance Incentive Plan (incorporated by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K filed on May 3, 2013).
10.4	Form of Option Agreement (2015 grants) under the Fluor Corporation Amended and Restated 2008 Executive Performance Incentive Plan (incorporated by reference to Exhibit 10.26 to the registrant's Quarterly Report on Form 10-Q filed on April 30, 2015).
10.5	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).
10.6	Form of Value Driver Incentive Award Agreement (for the senior team) under the Fluor Corporation Amended and Restated 2008 Executive Performance Incentive Plan (incorporated by reference to Exhibit 10.24 to the registrant's Quarterly Report on Form 10-Q filed on April 30, 2015).
10.7	Form of Value Driver Incentive Award Agreement (for the senior team, with a post-vesting holding period) under the Fluor Corporation Amended and Restated 2008 Executive Performance Incentive Plan (incorporated by reference to Exhibit 10.7 to the registrant's Quarterly Report on Form 10-Q filed on May 5, 2016).
10.8	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).
10.9	Form of Value Driver Incentive Award Agreement (for non-senior executives) under the Fluor Corporation Amended and Restated 2008 Executive Performance Incentive Plan (incorporated by reference to Exhibit 10.25 to the registrant's Quarterly Report on Form 10-Q filed on April 30, 2015).
10.10	Form of Value Driver Incentive Award Agreement (cash-based, for non-senior executives) under the Fluor Corporation Amended and Restated 2008 Executive Performance Incentive Plan (incorporated by reference to Exhibit 10.9 to the registrant's Quarterly Report on Form 10-Q filed on May 5, 2016).

10.11 Form of Restricted Stock Unit Agreement under the Fluor Corporation Amended and Restated 2008 Executive Performance Incentive Plan (incorporated by reference to Exhibit 10.27 to the registrant's Quarterly Report on Form 10-Q filed on April 30, 2015).

10.12 Form of Restricted Stock Unit Agreement (for the senior team, with a post-vesting holding period) under the Fluor Corporation Amended and Restated 2008 Executive Performance Incentive Plan (incorporated by reference to Exhibit 10.10 to the registrant's Quarterly Report on Form 10-Q filed on May 5, 2016).

10.13 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).

10.14 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).

10.15 Fluor Executive Deferred Compensation Plan, as amended and restated effective April 21, 2003 (incorporated by reference to Exhibit 10.5 to the registrant's Annual Report on Form 10-K filed on February 29, 2008).

10.16 Fluor 409A Executive Deferred Compensation Program, as amended and restated effective January 1, 2017.*

10.17 Executive Severance Plan (incorporated by reference to Exhibit 10.7 to the registrant's Annual Report on Form 10-K filed on February 22, 2012).

10.18 Summary of Fluor Corporation Non-Management Director Compensation (incorporated by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K filed on February 7, 2017).

10.19 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).

10.20 Fluor Corporation Deferred Directors' Fees Program, as amended and restated effective January 1, 2002 (incorporated by reference to Exhibit 10.9 to the registrant's Annual Report on Form 10-K filed on March 31, 2003).

10.21 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).

10.22 Directors' Life Insurance Summary (incorporated by reference to Exhibit 10.12 to the registrant's Registration Statement on Form 10/A (Amendment No. 1) filed on November 22, 2000).

10.23 Form of Indemnification Agreement entered into between the registrant and each of its directors and executive officers (incorporated by reference to Exhibit 10.21 to the registrant's Annual Report on Form 10-K filed on February 25, 2009).

10.24 Form of Change in Control Agreement entered into between the registrant and each of its executive officers (incorporated by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K filed on June 29, 2010).

10.25 $1,800,000,000 Amended and Restated Revolving Loan and Letter of Credit Facility Agreement dated as of February 25, 2016, among Fluor Corporation, Fluor B.V., the Lenders thereunder, BNP Paribas, as Administrative Agent and an Issuing Lender, Bank of America, N.A., as Syndication Agent, and Citibank, N.A. and The Bank of Tokyo - Mitsubishi UFJ, Ltd., as Co-Documentation Agents (incorporated by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K filed on March 2, 2016).

10.26 $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).

31.1 Certification of Chief Executive Officer of Fluor Corporation.*

31.2 Certification of Chief Financial Officer of Fluor Corporation.*

32.1 Certification of Chief Executive Officer pursuant to Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350.*

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

* New exhibit filed with this report.

Attached as Exhibit 101 to this report are the following documents formatted in XBRL (Extensible Business Reporting Language): (i) the Condensed Consolidated Statement of Earnings for the three and nine months ended September 30, 2017 and 2016, (ii) the Condensed Consolidated Statement of Comprehensive Income for the three and nine months ended September 30, 2017 and 2016, (iii) the Condensed Consolidated Balance Sheet as of September 30, 2017 and December 31, 2016, and (iv) the Condensed Consolidated Statement of Cash Flows for the nine months ended September 30, 2017 and 2016.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

FLUOR CORPORATION

Date:	November 2, 2017	/s/ Bruce A. Stanski Bruce A. Stanski Executive Vice President and Chief Financial Officer
Date:	November 2, 2017	/s/ Robin K. Chopra Robin K. Chopra Senior Vice President and Controller (Chief Accounting Officer)

Exhibit 31.1

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO RULE 13a-14(a) OR RULE 15d-14(a)
OF THE SECURITIES EXCHANGE ACT OF 1934**

I, David T. Seaton, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Fluor Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: November 2, 2017

By: /s/ David T. Seaton
David T. Seaton
Chairman and Chief Executive Officer

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO RULE 13a-14(a) OR RULE 15d-14(a)
OF THE SECURITIES EXCHANGE ACT OF 1934

I, Bruce A. Stanski, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Fluor Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 2, 2017

By: /s/ Bruce A. Stanski
Bruce A. Stanski
Executive Vice President and
Chief Financial Officer

Exhibit 32.1

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO RULE 13a-14(b) OR RULE 15d-14(b)
OF THE SECURITIES EXCHANGE ACT OF 1934
AND 18 U.S.C. SECTION 1350**

In connection with the Quarterly Report of Fluor Corporation (the "Company") on Form 10-Q for the period ended September 30, 2017, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David T. Seaton, Chairman and Chief Executive Officer of the Company, certify, for purposes of 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 2, 2017

By: /s/ David T. Seaton
David T. Seaton
Chairman and Chief Executive Officer

A signed original of this written statement required by 18 U.S.C. Section 1350 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO RULE 13a-14(b) OR RULE 15d-14(b)
OF THE SECURITIES EXCHANGE ACT OF 1934
AND 18 U.S.C. SECTION 1350**

In connection with the Quarterly Report of Fluor Corporation (the “Company”) on Form 10-Q for the period ended September 30, 2017, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Bruce A. Stanski, Executive Vice President and Chief Financial Officer of the Company, certify, for purposes of 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 2, 2017

By: /s/ Bruce A. Stanski
Bruce A. Stanski
Executive Vice President and
Chief Financial Officer

A signed original of this written statement required by 18 U.S.C. Section 1350 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.