UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2016

or

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

For the transition period from to

Commission File Number: 1-16129

FLUOR CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	**33-0927079**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
6700 Las Colinas Boulevard Irving, Texas	**75039**
(Address of principal executive offices)	(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 x No o

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 x No o

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

Large accelerated filer x	Accelerated filer o
Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

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

As of April 29, 2016, 139,230,156 shares of the registrant s common stock, $0.01 par value, were outstanding.

FLUOR CORPORATION

FORM 10-Q

March 31, 2016

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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 March 31, 2016	2015
TOTAL REVENUE	$ 4,423,889	$ 4,548,649
TOTAL COST OF REVENUE	4,168,067	4,251,189
OTHER (INCOME) AND EXPENSES		
Corporate general and administrative expense	55,113	41,110
Interest expense	14,645	12,168
Interest income	(3,156)	(4,696)
Total cost and expenses	4,234,669	4,299,771
EARNINGS BEFORE TAXES	189,220	248,878
INCOME TAX EXPENSE	70,209	83,274
NET EARNINGS	119,011	165,604
LESS: NET EARNINGS ATTRIBUTABLE TO NONCONTROLLING INTERESTS	14,688	21,525
NET EARNINGS ATTRIBUTABLE TO FLUOR CORPORATION	$ 104,323	$ 144,079
BASIC EARNINGS PER SHARE	$ 0.75	$ 0.98
DILUTED EARNINGS PER SHARE	$ 0.74	$ 0.96
SHARES USED TO CALCULATE EARNINGS PER SHARE		
BASIC	138,950	147,731
DILUTED	140,865	149,915
DIVIDENDS DECLARED PER SHARE	$ 0.21	$ 0.21

See Notes to Condensed Consolidated Financial Statements.

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FLUOR CORPORATION

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

UNAUDITED

(in thousands)	Three Months Ended March 31, 2016	2015
NET EARNINGS	$ 119,011	$ 165,604
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX:		
Foreign currency translation adjustment	22,336	(48,724)
Ownership share of equity method investees other comprehensive loss	(8,018)	(4,481)
Defined benefit pension and postretirement plan adjustments	(3,325)	2,688
Unrealized gain on derivative contracts	3,602	894
Unrealized gain on available-for-sale securities	847	609
TOTAL OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX	15,442	(49,014)
COMPREHENSIVE INCOME	134,453	116,590
LESS: COMPREHENSIVE INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	14,744	22,116
COMPREHENSIVE INCOME ATTRIBUTABLE TO FLUOR CORPORATION	$ 119,709	$ 94,474

See Notes to Condensed Consolidated Financial Statements.

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FLUOR CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEET

UNAUDITED

(in thousands, except share and per share amounts)		March 31, 2016		December 31, 2015
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents ($365,108 and $289,991 related to variable interest entities (VIEs))	$	1,697,491	$	1,949,886
Marketable securities, current ($65,176 and $70,176 related to VIEs)		167,130		197,092
Accounts and notes receivable, net ($235,306 and $186,833 related to VIEs)		1,496,829		1,203,024
Contract work in progress ($203,986 and $178,826 related to VIEs)		1,606,203		1,376,471
Other current assets ($27,968 and $27,362 related to VIEs)		435,216		378,927
Total current assets		5,402,869		5,105,400
Marketable securities, noncurrent		152,843		220,634
Property, plant and equipment (PP&E) ((net of accumulated depreciation of $1,060,862 and $1,046,077) (net PP&E of $70,609 and $70,247 related to VIEs))		1,065,264		892,340
Investments and goodwill		1,482,512		449,576
Deferred taxes		362,699		394,832
Deferred compensation trusts		326,444		360,725
Other assets ($24,259 and $24,141 related to VIEs)		209,096		201,899
TOTAL ASSETS	$	9,001,727	$	7,625,406
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Trade accounts payable ($221,556 and $178,139 related to VIEs)	$	1,578,073	$	1,266,509
Revolving credit facility and other borrowings		118,926		
Advance billings on contracts ($208,669 and $188,484 related to VIEs)		745,078		754,037
Accrued salaries, wages and benefits ($51,987 and $47,526 related to VIEs)		766,272		669,592
Other accrued liabilities ($55,033 and $25,384 related to VIEs)		381,581		245,214
Total current liabilities		3,589,930		2,935,352
LONG-TERM DEBT		1,572,001		986,564
NONCURRENT LIABILITIES		618,962		589,991
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 139,222,687 and 139,018,309 shares in 2016 and 2015, respectively		1,392		1,390
Additional paid-in capital		10,819		
Accumulated other comprehensive loss		(417,389)		(432,775)
Retained earnings		3,493,789		3,428,732
Total shareholders equity		3,088,611		2,997,347

Noncontrolling interests		132,223		116,152
Total equity		3,220,834		3,113,499
TOTAL LIABILITIES AND EQUITY	$	9,001,727	$	7,625,406

See Notes to Condensed Consolidated Financial Statements.

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FLUOR CORPORATION

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

UNAUDITED

(in thousands)	Three Months Ended March 31, 2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Net earnings	$ 119,011	$ 165,604
Adjustments to reconcile net earnings to cash provided (utilized) by operating activities:		
Depreciation of fixed assets	47,147	47,803
Amortization of intangibles	222	223
(Earnings) loss from equity method investments, net of distributions	(2,697)	(7,386)
Gain on sale of property, plant and equipment	(6,788)	(8,841)
Amortization of stock-based awards	13,921	12,546
Deferred compensation trust	34,280	33,604
Deferred compensation obligation	5,655	6,164
Deferred taxes	34,286	143,601
Net retirement plan accrual (contributions)	(10,125)	3,391
Changes in operating assets and liabilities	(126,049)	(52,775)
Cash outflows from discontinued operations		(306,490)
Other items	5,792	1,838
Cash provided by operating activities	114,655	39,282
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of marketable securities	(103,587)	(147,068)
Proceeds from the sales and maturities of marketable securities	202,286	194,635
Capital expenditures	(48,576)	(73,883)
Proceeds from disposal of property, plant and equipment	25,881	29,905
Investments in partnerships and joint ventures	(402,434)	(21,537)
Acquisitions, net of cash acquired	(240,754)	
Other items	7,236	(197)
Cash utilized by investing activities	(559,948)	(18,145)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repurchase of common stock	(9,718)	(111,658)
Dividends paid	(29,941)	(32,363)
Proceeds from issuance of 1.75% Senior Notes	552,958	
Debt issuance costs	(3,186)	
Repayment of Stork Notes and other borrowings	(326,279)	
Borrowings under revolving lines of credit	760,000	
Repayment of borrowings under revolving lines of credit	(760,000)	
Distributions paid to noncontrolling interests	(12,829)	(3,508)
Capital contributions by noncontrolling interests	1,245	698
Taxes paid on vested restricted stock	(6,971)	(7,588)
Stock options exercised	2,681	923
Other items	2,861	(474)
Cash provided (utilized) by financing activities	170,821	(153,970)

Effect of exchange rate changes on cash		22,077		(48,999)
Decrease in cash and cash equivalents		(252,395)		(181,832)
Cash and cash equivalents at beginning of period		1,949,886		1,993,125
Cash and cash equivalents at end of period	$	1,697,491	$	1,811,293

See Notes to Condensed Consolidated Financial Statements.

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FLUOR CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

UNAUDITED

(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, 2015 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 months ended March 31, 2016 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 March 31, 2016 and 2015 and its consolidated results of operations and cash flows for the interim periods presented. All significant intercompany transactions of consolidated subsidiaries are eliminated. Certain amounts in 2015 have been reclassified to conform to the 2016 presentation due to the implementation of new accounting pronouncements discussed below. Segment operating information for 2015 has been recast to reflect changes in the composition of the company s reportable segments as discussed in Note 16. 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 as of and for the three months ended March 31, 2016 include the financial statements of Stork Holding B.V. (Stork) since March 1, 2016, the date of acquisition. See Note 17 for a further discussion of the acquisition.

(2) Recent Accounting Pronouncements

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

In the first quarter of 2016, the company adopted Accounting Standards Update (ASU) 2015-17, Balance Sheet Classification of Deferred Taxes on a retrospective basis. This ASU requires entities to classify all deferred tax assets and liabilities as noncurrent on the balance sheet instead of separating deferred taxes into current and noncurrent. As a result of the adoption of ASU 2015-17, deferred tax assets of $173 million were reclassified from current assets to noncurrent assets in the Condensed Consolidated Balance Sheet as of December 31, 2015. The adoption of ASU 2015-17 did not have any impact on the company s results of operations or cash flows.

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

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

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

In the first quarter of 2016, the company adopted ASU 2015-03, Simplifying the Presentation of Debt Issuance Costs on a retrospective basis. This ASU changes the presentation of debt issuance costs on the balance sheet by requiring entities to present such costs as a direct deduction from the related debt liability rather than as an asset. As a result of the adoption of ASU

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2015-03, debt issuance costs of $6 million were reclassified from noncurrent assets to a direct deduction of long-term debt in the Condensed Consolidated Balance Sheet as of December 31, 2015. The adoption of ASU 2015-03 did not have any impact on the company s results of operations or cash flows.

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

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

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

In April 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-10, Identifying Performance Obligations and Licensing, which amends certain aspects in ASU 2014-09. ASU 2016-10 amends how an entity should identify performance obligations for immaterial promised goods or service, shipping and handling activities and promises that may represent performance obligations. ASU 2016-08 also provides implementation guidance for determining the nature of licensing and royalties arrangements. ASU 2016-10 is effective upon adoption of ASU 2014-09. Management is currently evaluating the impact of adopting ASU 2016-10 on the company s financial position, results of operations and cash flows.

In March 2016, the FASB issued ASU 2016-09, Improvements to Employee Share-Based Payment Accounting. This ASU is intended to simplify various aspects of the accounting for share-based payment award transactions which include income tax consequences, classification of awards as either equity or liabilities, classification on the statement of cash flows and forfeiture rate calculations. ASU 2016-09 is effective for interim and annual reporting periods beginning after December 15, 2016. Management is currently evaluating the impact of adopting ASU 2016-09 on the company s financial position, results of operations and cash flows.

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 should identify the unit of accounting for the principal versus agent evaluation and how it should apply the control principle to certain types of arrangements, such as service transactions. ASU 2016-08 also reframes the indicators to focus on evidence that an entity is acting as a principal rather than as an agent. ASU 2016-08 is effective upon adoption of ASU 2014-09, Revenue from Contracts with Customers . Management is currently evaluating the impact of adopting ASU 2016-08 on the company s financial position, results of operations and cash flows.

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

In March 2016, the FASB issued ASU 2016-05, Effect of Derivative Contract Novations on Existing Hedge Accounting Relationships. This ASU clarifies that the novation of a derivative contract in a hedge accounting relationship does not, in and of itself, require dedesignation of that hedge accounting relationship. ASU 2016-05 is effective for interim and annual reporting periods beginning after December 15, 2016. ASU 2016-05 can be applied on either a prospective or modified retrospective

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basis. Management does not expect the adoption of ASU 2016-05 to have a material impact on the company s financial position, results of operations or cash flows.

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

In January 2016, the FASB issued ASU 2016-01, Financial Instruments Overall - Recognition and Measurement of Financial Assets and Financial Liabilities. This ASU requires entities to measure equity investments that do not result in consolidation and are not accounted for under the equity method at fair value and 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.

In August 2015, the FASB issued ASU 2015-14, Revenue from Contracts with Customers Deferral of the Effective Date which deferred the effective date of ASU 2014-09 by one year. ASU 2014-09, Revenue from Contracts with Customers, 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 require separate accounting, 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. The company will now be required to adopt ASU 2014-09 for interim and annual reporting periods beginning after December 15, 2017. Early adoption is permitted as of interim and annual reporting periods beginning after December 15, 2016. ASU 2014-09 can be applied either retrospectively to each prior period presented or as a cumulative-effect adjustment as of the date of adoption. Management is currently evaluating the impact of adopting ASU 2014-09 on the company s financial position, results of operations, cash flows and related disclosures.

In August 2014, the FASB issued ASU 2014-15, Disclosure of Uncertainties about an Entity s Ability to Continue as a Going Concern. This ASU requires management to perform interim and annual assessments of an entity s ability to continue as a going concern within one year of the date the financial statements are issued and to provide certain disclosures if conditions or events raise substantial doubt about the entity s ability to continue as a going concern. ASU 2014-15 is effective for annual reporting periods ending after December 15, 2016 and subsequent interim reporting periods. Management does not expect the adoption of ASU 2014-15 to have a material impact on the company s financial position, results of operations or cash flows.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

UNAUDITED

(3) Other Comprehensive Income (Loss)

The tax effects of the components of other comprehensive income (loss) (OCI) for the three months ended March 31, 2016 and 2015 are as follows:

	Three Months Ended March 31, 2016			Three Months Ended March 31, 2015		
(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	$ 35,755	$ (13,419)	$ 22,336	$ (78,271)	$ 29,547	$ (48,724)
Ownership share of equity method investees other comprehensive loss	(12,092)	4,074	(8,018)	(6,002)	1,521	(4,481)
Defined benefit pension and postretirement plan adjustments	(2,550)	(775)	(3,325)	4,301	(1,613)	2,688
Unrealized gain on derivative contracts	5,785	(2,183)	3,602	1,414	(520)	894
Unrealized gain on available-for-sale securities	1,355	(508)	847	974	(365)	609
Total other comprehensive income (loss)	28,253	(12,811)	15,442	(77,584)	28,570	(49,014)
Less: Other comprehensive income attributable to noncontrolling interests	56		56	591		591
Other comprehensive income (loss) attributable to Fluor Corporation	$ 28,197	$ (12,811)	$ 15,386	$ (78,175)	$ 28,570	$ (49,605)

The changes in accumulated other comprehensive income (AOCI) balances by component (after-tax) for the three months ended March 31, 2016 are as follows:

(in thousands)

	Foreign Currency Translation	Ownership Share of Equity Method Investees Other Comprehensive Income (Loss)	Defined Benefit Pension and Postretirement Plans	Unrealized Gain (Loss) on Derivative Contracts	Unrealized Gain (Loss) on Available- for-Sale Securities	Accumulated Other Comprehensive Income (Loss), Net
Attributable to Fluor Corporation:						
Balance as of December 31, 2015	$ (222,569)	$ (37,949)	$ (162,530)	$ (9,255)	$ (472)	$ (432,775)
Other comprehensive income (loss) before reclassifications	22,362	(8,018)	(4,617)	1,796	810	12,333
Amounts reclassified from AOCI			1,292	1,724	37	3,053
Net other comprehensive income (loss)	22,362	(8,018)	(3,325)	3,520	847	15,386
Balance as of March 31, 2016	$ (200,207)	$ (45,967)				