FLUOR CORP
Form 10-Q
July 27, 2010
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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 June 30, 2010

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 July 22, 2010, 178,762,580 shares of the registrant s common stock, $0.01 par value, were outstanding.

FLUOR CORPORATION

FORM 10-Q

June 30, 2010

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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 June 30,** **2010**	**2009**	**Six Months Ended June 30,** **2010**	**2009**
TOTAL REVENUE	$ 5,152,121	$ 5,292,554	$ 10,070,976	$ 11,090,443
TOTAL COST OF REVENUE	4,868,354	4,975,649	9,526,651	10,424,265
OTHER (INCOME) AND EXPENSES				
Corporate general and administrative expense	27,827	42,003	58,735	67,418
Interest expense	2,304	2,488	5,476	5,071
Interest income	(5,505)	(5,836)	(12,115)	(13,061)
Total cost and expenses	4,892,980	5,014,304	9,578,747	10,483,693
EARNINGS BEFORE TAXES	259,141	278,250	492,229	606,750
INCOME TAX EXPENSE	80,724	101,911	160,140	209,124
NET EARNINGS	178,417	176,339	332,089	397,626
NET EARNINGS ATTRIBUTABLE TO NONCONTROLLING INTERESTS	(21,042)	(7,069)	(38,079)	(23,557)
NET EARNINGS ATTRIBUTABLE TO FLUOR CORPORATION	$ 157,375	$ 169,270	$ 294,010	$ 374,069
EARNINGS PER SHARE				
BASIC	$ 0.88	$ 0.94	$ 1.65	$ 2.06
DILUTED	$ 0.87	$ 0.93	$ 1.63	$ 2.05
SHARES USED TO CALCULATE EARNINGS PER SHARE				
BASIC	178,214	179,054	178,189	179,686
DILUTED	180,688	181,198	180,729	181,201

DIVIDENDS DECLARED PER SHARE	$	0.125	$	0.125	$	0.25	$	0.25

See Notes to Condensed Consolidated Financial Statements.

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FLUOR CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEET

UNAUDITED

(in thousands, except share amounts)		June 30, 2010		December 31, 2009
ASSETS				
Current assets				
Cash and cash equivalents ($176,838 and $172,991 related to variable interest entities (VIEs))	$	1,437,118	$	1,687,028
Marketable securities, current		324,089		603,594
Accounts and notes receivable, net ($134,620 and $99,609 related to VIEs)		1,197,892		988,991
Contract work in progress ($110,153 and $43,115 related to VIEs)		1,792,693		1,405,785
Deferred taxes		143,841		131,101
Other current assets		305,776		305,589
Total current assets		5,201,409		5,122,088
Marketable securities, noncurrent		323,642		335,216
Property, plant and equipment (net of accumulated depreciation of $862,928 and $817,976)		838,179		837,034
Investments and goodwill		269,410		273,285
Deferred taxes		250,535		247,517
Deferred compensation trusts		272,168		279,852
Other		112,542		83,491
	$	7,267,885	$	7,178,483
LIABILITIES AND EQUITY				
Current liabilities				
Trade accounts payable ($149,904 and $69,955 related to VIEs)	$	1,335,744	$	1,334,301
Convertible senior notes		99,642		109,789
Advance billings on contracts ($204,888 and $142,119 related to VIEs)		862,017		980,437
Accrued salaries, wages and benefits ($45,482 and $43,247 related to VIEs)		554,669		581,193
Other accrued liabilities		330,026		295,678
Total current liabilities		3,182,098		3,301,398
Long-term debt due after one year		17,749		17,740
Noncurrent liabilities		506,974		525,452
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 178,769,561 and 178,824,617 shares in 2010 and 2009, respectively		1,788		1,788

Additional paid-in capital		683,044		682,304
Accumulated other comprehensive loss		(247,466)		(220,987)
Retained earnings		3,091,348		2,842,428
Total shareholders equity		3,528,714		3,305,533
Noncontrolling interests		32,350		28,360
Total equity		3,561,064		3,333,893
	$	7,267,885	$	7,178,483

See Notes to Condensed Consolidated Financial Statements.

FLUOR CORPORATION

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

UNAUDITED

(in thousands)	Six Months Ended June 30, 2010	 2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Net earnings	$ 332,089	$ 397,626
Adjustments to reconcile net earnings to cash provided by operating activities:		
Depreciation of fixed assets	91,497	88,633
Amortization of intangibles	637	637
Restricted stock and stock option amortization	22,960	16,842
Deferred compensation trust	7,684	(12,738)
Deferred compensation obligation	(8,372)	15,702
Deferred taxes	2,047	(32,061)
Stock plans tax benefit	(491)	784
Retirement plan accrual, net of contributions	21,227	20,042
Changes in operating assets and liabilities	(725,064)	(94,187)
Equity in (earnings) of investees, net of dividends	22,359	(11,466)
Other items	6,043	(5,010)
Cash (utilized) provided by operating activities	(227,384)	384,804
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of marketable securities	(548,707)	(1,258,250)
Proceeds from the sales and maturities of marketable securities	815,849	423,826
Capital expenditures	(123,411)	(120,593)
Proceeds from disposal of property, plant and equipment	16,784	17,188
Investments in partnerships and joint ventures	(5,054)	(1,039)
Other items	(3,636)	2,011
Cash provided (utilized) by investing activities	151,825	(936,857)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repurchase of common stock	(17,071)	(61,259)
Dividends paid	(45,072)	(45,578)
Repayment of convertible debt	(10,147)	(11,865)
Distributions paid to noncontrolling interests	(33,280)	(14,138)
Capital contribution by joint venture partner	1,000	
Repayment of corporate-owned life insurance loans	(32,163)	
Taxes paid on vested restricted stock	(6,763)	(4,851)
Stock options exercised	1,631	719
Stock plans tax benefit	491	(784)
Other items	(4,156)	(1,393)

Cash utilized by financing activities		(145,530)		(139,149)
Effect of exchange rate changes on cash		(28,821)		38,772
Decrease in cash and cash equivalents		(249,910)		(652,430)
Cash and cash equivalents at beginning of period		1,687,028		1,834,324
Cash and cash equivalents at end of period	$	1,437,118	$	1,181,894

See Notes to Condensed Consolidated Financial Statements.

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FLUOR CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

UNAUDITED

(1) 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, 2009 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 six months ended June 30, 2010 are not necessarily 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 (consisting of normal recurring accruals) which, in the opinion of management, are necessary to present fairly its consolidated financial position as of June 30, 2010 and its consolidated results of operations and cash flows for the three and six months ended June 30, 2010 and 2009. Management has evaluated all material events occurring subsequent to the date of the financial statements up to the date and time this quarterly report is filed on Form 10-Q.

Certain 2009 amounts have been reclassified to conform with the 2010 presentation.

(2) *Recent Accounting Pronouncements*

In October 2009, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2009-13, Multiple-Deliverable Revenue Arrangements, which amends certain guidance in Accounting Standards Codification (ASC) 605-25, Revenue Recognition Multiple Element Arrangements. ASU 2009-13 requires entities to allocate revenue in an arrangement using estimated selling prices of the delivered goods and services based on a selling price hierarchy. The amendments eliminate the residual method of revenue allocation and require revenue to be allocated using the relative selling price method. ASU 2009-13 is effective for annual reporting periods beginning on or after June 15, 2010 and should be applied on a prospective basis for revenue arrangements entered into or materially modified, with early adoption permitted. Management is currently evaluating the impact on the company s financial position, results of operations and cash flows.

During the first half of 2010, the company implemented other new accounting pronouncements that are discussed in the notes where applicable.

(3) The components of comprehensive income, net of related tax, are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands)	2010	2009	2010	2009
Net earnings	$ 178,417	$ 176,339	$ 332,089	$ 397,626
Unrealized gain (loss) on debt securities(1)	(153)	230	164	29
Unrealized gain (loss) on derivative contracts(2)	(870)	3,502	(662)	(323)
Foreign currency translation adjustment(3)	(43,311)	48,004	(42,374)	43,096
Ownership share of equity method investee s other comprehensive loss(4)	(244)		(2,753)	
Pension plan adjustment(5)	7,976	(3,249)	19,146	4,241
Comprehensive income	141,815	224,826	305,610	444,669
Comprehensive income attributable to noncontrolling interests	(21,042)	(7,069)	(38,079)	(23,557)
Comprehensive income attributable to Fluor Corporation	$ 120,773	$ 217,757	$ 267,531	$ 421,112

(1) Net of deferred tax benefit of $0.1 million and deferred tax expense of $0.1 million during the three and six months ended June 30, 2010, respectively. Deferred tax expense related to the three and six months ended June 30, 2009 was immaterial.

(2) Net of deferred tax benefit of $0.5 million and $0.4 million during the three and six months ended June 30, 2010, respectively, and deferred tax expense of $2.1 million and deferred tax benefit of $0.2 million during the three and six months ended June 30, 2009, respectively.

(3) Net of deferred tax benefit of $26.0 million and $25.4 million during the three and six months ended June 30, 2010, respectively, and deferred tax expense of $27.5 million and $25.9 million during the three and six months ended June 30, 2009, respectively.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

UNAUDITED

(4) Net of deferred tax benefit of $0.2 million and $1.7 million during the three and six months ended June 30, 2010.

(5) Net of deferred tax expense of $4.8 million and $11.5 million during the three and six months ended June 30, 2010, respectively, and deferred tax benefit of $2.0 million and deferred tax expense of $2.5 million during the three and six months ended June 30, 2009, respectively.

(4) The effective tax rate, based on the company s actual operating results for the three and six months ended June 30, 2010 was 31.2 percent and 32.5 percent, respectively, compared to 36.6 percent and 34.5 percent for the corresponding periods of 2009. The effective tax rate was lower for the three and six month periods ending June 30, 2010 primarily due to the favorable impact of an unanticipated audit settlement that resulted in the recognition of a previously unrecognized tax benefit and due to increased earnings attributable to noncontrolling interests for which taxes are not paid by 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 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 2003.

In March 2010, President Obama signed into law the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010. Beginning January 1, 2013, these laws change the tax treatment for retiree prescription drug expenses by eliminating the tax deduction available to the extent that those expenses are reimbursed under Medicare Part D. These laws did not have a material impact on the company s financial position, results of operations or cash flows.

(5) Cash paid for interest was $7.0 million and $6.4 million for the six months ended June 30, 2010 and 2009, respectively. Income tax payments, net of receipts, were $131.6 million and $237.6 million during the six-month periods ended June 30, 2010 and 2009, respectively.

(6) In 2009, the company applied the provisions of FASB Staff Position (FSP) Emerging Issues Task Force (EITF) 03-6-1, Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities (ASC 260-10-45). ASC 260-10-45 clarified that all outstanding unvested share-based payment awards that contain rights to nonforfeitable dividends participate in undistributed earnings with common shareholders. The company s unvested restricted stock units and unvested restricted shares of stock were considered to be

participating securities since the quarterly dividends paid were nonforfeitable. ASC 260-10-45 required that the two-class method of computing basic EPS be applied. Under the two-class method, the company s stock options were not considered to be participating securities.

Starting in the first quarter of 2010, dividends on unvested restricted stock units and unvested restricted stock are accumulated and become payable only when the units and shares vest. As a result, the company s unvested restricted stock units and unvested restricted shares are no longer considered to be participating securities and the two-class method of computing EPS is not required. Diluted EPS for the 2010 periods reflects the assumed exercise or conversion of all dilutive securities using the treasury stock method.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

UNAUDITED

The calculations of the basic and diluted EPS for the three and six months ended June 30, 2010 under the treasury stock method are presented below:

(in thousands, except per share amounts)	**Three Months Ended June 30, 2010**	**Six Months Ended June 30, 2010**
Net earnings attributable to Fluor Corporation	$ 157,375	$ 294,010
Basic EPS:		
Weighted average common shares outstanding	178,214	178,189
Basic earnings per share	$ 0.88	$ 1.65
Diluted EPS:		
Weighted average common shares outstanding	178,214	178,189
Diluted effect:		
Employee stock options and restricted stock units and shares	1,240	1,205
Conversion equivalent of dilutive convertible debt	1,234	1,335
Weighted average diluted shares outstanding	180,688	180,729
Diluted earnings per share	$ 0.87	$ 1.63
Anti-dilutive securities not included above	1,662	1,424

The calculations of the basic and diluted EPS for the three and six months ended June 30, 2009 under the two-class method are presented below:

(in thousands, except per share amounts)	**Three Months Ended June 30, 2009**	**Six Months Ended June 30, 2009**
Basic EPS:		
Net earnings attributable to Fluor Corporation	$ 169,270	$ 374,069
Portion allocable to common shareholders	99.05%	99.11%
Net earnings allocable to common shareholders	$ 167,662	$ 370,740
Weighted average common shares outstanding	179,054	179,686
Basic earnings per share	$ 0.94	$ 2.06

Diluted EPS:				
Net earnings allocable to common shareholders	$	167,662	$	370,740
Weighted average common shares outstanding		179,054		179,686
Diluted effect:				
Employee stock options		146		85
Conversion equivalent of dilutive convertible debt		1,998		1,430
Weighted average diluted shares outstanding		181,198		181,201
Diluted earnings per share	$	0.93	$	2.05
Anti-dilutive securities not included above		537		1,186

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

UNAUDITED

The table below sets forth the calculation of the percentage of net earnings allocable to common shareholders under the two-class method:

(shares in thousands)	**Three Months Ended June 30, 2009**	**Six Months Ended June 30, 2009**
Numerator:		
Weighted average participating common shares	179,054	179,686
Denominator:		
Weighted average participating common shares	179,054	179,686
Add: Weighted average restricted shares and units	1,711	1,615
Weighted average participating shares	180,765	181,301
Portion allocable to common shareholders	99.05%	99.11%

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

UNAUDITED

(7) The following table presents, for each of the fair value hierarchy levels required under Financial Accounting Standard (SFAS) No. 157, Fair Value Measurements (ASC 820-10), the company s assets and liabilities that are measured at fair value on a recurring basis as of June 30, 2010 and December 31, 2009:

	June 30, 2010				December 31, 2009			
		Fair Value Measurements Using				Fair Value Measurements Using		
(in thousands)	**Total**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Assets:								
Cash and cash equivalents	$ 34,760	$ 26,760(1)	$ 8,000(2)	$	$ 66,167	$ 66,167(1)	$	$
Marketable securities, current	103,283		103,283(2)		104,059		104,059(2)	
Deferred compensation trusts	66,551	66,551(1)			65,664	65,664(1)		
Marketable securities, noncurrent	323,642		323,642(3)		334,552		334,552(3)	
Derivative assets(4)								
Commodity swap forward contracts	780		780		3,159		3,159	
Foreign currency contracts	3,262		3,262					
Liabilities:								
Derivative liabilities(4)								
Commodity swap forward contracts	$ 3,573	$	$ 3,573	$	$ 3,091	$	$ 3,091	$
Foreign currency contracts	1,303		1,303		2,434		2,434	

[1] Consists of registered money market funds and an equity index fund valued at fair value, which represents the net asset value of the shares of such funds as of the close of business at the end of the period.

(2) Consists of investments in U.S. agency securities, U.S. Treasury securities, corporate debt securities, commercial paper and other debt securities which are valued at the last reported sale price on the last business day at the end of the period. Securities not traded on the last business day are valued at the last reported bid price. The fair value is not materially different from the cost basis.

(3) Consists of investments in U.S. agency securities, U.S. Treasury securities, international government and government-related securities, corporate debt securities and other debt securities with maturities ranging from one to five years which are valued at the last reported sale price on the last business day at the end of the period. Securities not traded on the last business day are valued at the last reported bid price. The fair value is not materially different from the cost basis.

(4) See Note 8 for the classification of commodity swap forward contracts and foreign currency contracts on the Condensed Consolidated Balance Sheet. Commodity swap forward contracts are estimated using standard pricing models with market-based inputs, which take into account the present value of estimated future cash flows. Foreign currency contracts are estimated by obtaining quotes from brokers.

All of the company s investments carried at fair value are included in the table above and are available-for-sale securities. These available-for-sale securities are made up of the following security types as of June 30, 2010: money market funds of $92 million, U.S. agency securities of $189 million, U.S. Treasury securities of $51 million, corporate debt securities of $179 million, commercial paper of $8 million and other securities of $9 million. As of December 31, 2009, available-for-sale securities consisted of money market funds of $132 million, U.S. agency securities of $200 million, U.S. Treasury securities of $48 million, corporate debt securities of $181 million and other securities of $9 million. The amortized cost of these available-for-sale securities is not materially different than the fair value.

FLUOR CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

UNAUDITED

The estimated fair values of the company s financial instruments that are not measured at fair value on a recurring basis are as follows:

	June 30, 2010		December 31, 2009	
(in thousands)	**Carrying Value**	**Fair Value**	**Carrying Value**	**Fair Value**
Assets:				
Cash and cash equivalents(1)	$ 1,402,358	$ 1,402,358	$ 1,620,861	$ 1,620,861
Marketable securities, current(2)	220,806	220,806	499,535	499,535
Marketable securities, noncurrent(3)			664	664
Notes receivable, including noncurrent portion	13,234	13,234	38,430	38,430
Liabilities:				
1.5% Convertible Senior Notes	99,642	139,499	109,789	177,858
5.625% Municipal Bonds	17,749	18,047	17,740	18,215

(1) Consists of bank deposits with original maturities of 90 days or less.

(2) Consists of held-to-maturity time deposits with original maturities greater than 90 days.

(3) Consists of a held-to-maturity time deposit.

Fair values were determined as follows:

- The carrying amounts of cash and cash equivalents, marketable securities, current and notes receivable that are current approximate fair value because of the short-term maturity of these instruments. Amortized cost is not materially different than the fair value.

- The carrying amounts of marketable securities, noncurrent are carried at amortized cost which approximates fair value.

- Notes receivable classified as noncurrent are carried at net realizable value which approximates fair value.

- The fair value of the Convertible Senior Notes and Municipal Bonds are estimated based on quoted market prices for the same or similar issues or on the current rates offered to the company for debt of the same maturities.

In the first quarter of 2010, the company adopted FASB ASU 2010-06 Improving Disclosure about Fair Value Measurements (ASC 820). ASU 2010-06 requires, on a prospective basis, additional disclosures regarding significant transfers in and out of Level 1 and Level 2 fair value measurements, of which the company had none for the six months ended June 30, 2010. ASU 2010-06 also clarifies existing disclosure requirements related to the level of disaggregation of fair value measurements for each class of assets and liabilities and disclosures about inputs and valuation techniques used to measure fair value. The adoption of ASU 2010-06 did not have a material impact on the company s disclosures in its Condensed Consolidated Financial Statements.

(8) 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 and currency risk associated with intercompany transactions, may subject the company to earnings volatility. In cases where financial exposure is identified, the company generally mitigates the risk by utilizing derivative instruments. These instruments are designated as either fair value or cash flow hedges in accordance with SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities (ASC 815). 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 derivatives that are used in hedging transactions are highly effective in offsetting changes in the fair value of the hedged items. The fair values of all derivative 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 derivative instrument is offset against the

FLUOR CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

UNAUDITED

change in the fair value of the underlying asset through earnings. The effective portion of the derivative instruments gains or losses due to changes in fair value, associated with the cash flow hedges, are recorded as a component of accumulated other comprehensive income (loss) (OCI) and are reclassified into earnings when the hedged items settle. Any ineffective portion of a derivative instrument s change in fair value is recognized in earnings immediately. The company does not enter into derivative instruments or hedging activities for speculative or trading purposes.

As of June 30, 2010, the company had total gross notional amounts of $124 million of foreign exchange forward contracts and $69 million of commodity swap forward contracts outstanding relating to engineering and construction contract obligations and intercompany transactions. The foreign exchange forward contracts are of varying duration, none of which extend beyond December 2011. The commodity swap forward contracts are of varying duration, none of which extend beyond three years. The impact to earnings due to hedge ineffectiveness was immaterial for the three and six months ended June 30, 2010 and 2009, respectively.

The fair values of derivatives designated as hedging instruments under ASC 815 as of June 30, 2010 and December 31, 2009 were as follows:

		Asset Derivatives			**Liability Derivatives**	
(in thousands)	**Balance Sheet Location**	**June 30, 2010**	**December 31, 2009**	**Balance Sheet Location**	**June 30, 2010**	**December 31, 2009**
Commodity swaps	Other current assets	$ 399	$ 1,677	Other accrued liabilities	$ 2,988	$ 3,037
Foreign currency forwards	Other current assets	3,262		Other accrued liabilities	1,301	2,416
Commodity swaps	Other assets	381	1,482	Noncurrent liabilities	585	54
Foreign currency forwards	Other assets			Noncurrent liabilities	2	18
Total derivatives		$ 4,042	$ 3,159		$ 4,876	$ 5,525

The effect of derivative instruments on the Condensed Consolidated Statement of Earnings for the three and six months ended June 30, 2010 and 2009 was as follows:

	Three Months Ended June 30,		**Six Months Ended June 30,**	
	2010	**2009**	**2010**	**2009**

Fair Value Hedges (in thousands)	Location of Gain (Loss) Recognized in Earnings	Amount of Gain (Loss) Recognized in Earnings on Derivatives	Amount of Gain (Loss) Recognized in Earnings on Derivatives	Amount of Gain (Loss) Recognized in Earnings on Derivatives	Amount of Gain (Loss) Recognized in Earnings on Derivatives
Foreign currency forwards	Total cost of revenue	$ 2,075	$ (3,262)	$ 4,185	$ (3,426)
Foreign currency forwards	Corporate general and administrative expense	(2,447)	5,153	(1,601)	6,682
Total		$ (372)	$ 1,891	$ 2,584	$ 3,256

The amount of gain (loss) recognized in earnings on derivatives for the fair value hedges noted in the table above offsets the amount of gain (loss) recognized in earnings on the hedged items in the same locations on the Condensed Consolidated Statement of Earnings.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Cash Flow Hedges (in thousands)	**Amount of Gain (Loss) Recognized in OCI**	**Amount of Gain (Loss) Recognized in OCI**	**Amount of Gain (Loss) Recognized in OCI**	**Amount of Loss Recognized in OCI**
Commodity swaps	$ (1,661)	$ 2,607	$ (2,088)	$ (61)
Foreign currency forwards	435	(391)	593	(1,709)
Total	$ (1,226)	$ 2,216	$ (1,495)	$ (1,770)

		Three Months Ended June 30,		Six Months Ended June 30,	
		2010	2009	2010	2009
Cash Flow Hedges (in thousands)	**Location of Gain (Loss) Reclassified from Accumulated OCI into Earnings**	**Amount of Gain (Loss) Reclassified from Accumulated OCI into Earnings**	**Amount of Loss Reclassified from Accumulated OCI into Earnings**	**Amount of Loss Reclassified from Accumulated OCI into Earnings**	**Amount of Loss Reclassified from Accumulated OCI into Earnings**
Commodity swaps	Total cost of revenue	$ (405)	$ (1,286)	$ (618)	$ (1,447)
Foreign currency forwards	Total cost of revenue	49		(215)	
Total		$ (356)	$ (1,286)	$ (833)	$ (1,447)

(9) Net periodic pension expense for the U.S. and non-U.S. defined benefit pension plans includes the following components:

	U.S. Pension Plan				Non-U.S. Pension Plans			
	Three Months Ended June 30,		Six Months Ended June 30,		Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands)	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
Service cost	$ 9,167	$ 9,291	$ 18,334	$ 18,583	$ 2,522	$ 2,297	$ 5,204	$ 4,449
Interest cost	9,604	8,398	19,208	16,797	7,511	7,471	15,548	14,503
Expected return on assets	(10,599)	(9,529)	(21,198)	(19,057)	(8,778)	(7,668)	(18,167)	(14,881)
Amortization of prior service cost		3		5				
	4,692	6,417	9,383	12,834	1,969	2,745	4,065	5,325

Recognized net actuarial loss								
Net periodic pension expense	$ 12,864	$ 14,580	$ 25,727	$ 29,162	$ 3,224	$ 4,845	$ 6,650	$ 9,396

The company currently expects to fund approximately $50 million to $90 million into its defined benefit pension plans during 2010, which is expected to be in excess of the minimum funding required. During the six months ended June 30, 2010, contributions of approximately $11 million were made by the company.

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

The net periodic postretirement benefit cost was immaterial for the three and six months ended June 30, 2010 and 2009.

(10) In February 2004, the company issued $330 million of 1.5% Convertible Senior Notes (the Notes) due February 15, 2024 and received proceeds of $323 million, net of underwriting discounts. In December 2004, the company irrevocably elected to pay the principal amount of the Notes in cash. Notes are convertible if a specified trading price of the company s common stock (the trigger price) is achieved and maintained for a specified period. The trigger price condition was satisfied during the fourth quarter of 2009 and second quarter of 2010 and the Notes were therefore classified as short-term debt. During the six months ended June 30, 2010, holders converted $10 million of the Notes in exchange for the principal balance owed in cash plus 135,048 shares of the company s common stock. During the six months ended June 30, 2009, holders converted $12 million of the Notes in exchange for the principal balance owed in cash plus 75,997 shares of the company s common stock.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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The company applies the provisions of FSP APB 14-1, Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement) (ASC 470-20). ASC 470-20 requires the issuer of a convertible debt instrument to separately account for the liability and equity components in a manner that reflects the entity s nonconvertible debt borrowing rate when interest expense is recognized in subsequent periods.

The following table presents information related to the liability and equity components of the Notes:

(in thousands)	**June 30, 2010**	**December 31, 2009**
Carrying value of the equity component	$ 21,211	$ 21,720
Principal amount and carrying value of the liability component	$ 99,642	$ 109,789

The Notes are convertible into shares of the company s common stock (par value $0.01 per share) at a conversion rate of 35.9104 shares per each $1,000 principal amount of Notes, subject to adjustment as described in the indenture. Interest expense for the three and six months ended June 30, 2010 includes original coupon interest of $0.4 million and $0.8 million, respectively. Interest expense for the three and six months ended June 30, 2009 includes original coupon interest of $0.5 million and $1.0 million, respectively. The effective interest rate on the liability component was 4.375 percent through February 15, 2009 at which time the discount on the liability was fully amortized. Interest expense as a result of debt discount amortization amounted to $0.4 million for the six months ended June 30, 2009. There was no debt discount amortization for the three months ended June 30, 2009. The if-converted value of $152 million is in excess of the principal value as of June 30, 2010.

As of June 30, 2010, the company was in compliance with all of the financial covenants related to its debt agreements.

(11) The company s director and executive stock plans are described, and informational disclosures provided, in the notes to the Consolidated Financial Statements included in the Form 10-K for the year ended December 31, 2009. Restricted stock units and restricted shares of 837,087 and 622,653 were granted in the first half of 2010 and 2009, respectively, at weighted-average per share prices of $42.87 and $30.81, respectively. The restricted units and shares granted in 2010 and 2009 vest ratably over three years. During the first half of 2010 and 2009, options for the purchase of 1,140,303 shares at a weighted-average exercise price of $42.78 per share and 888,567 shares at a weighted-average exercise price of $30.65 per share, respectively, were granted. The options granted in 2010 and 2009 vest ratably over three years. The options expire ten years after the grant date.

(12) The company applies the provisions of SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements (ASC 810-10-45). ASC 810-10-45 establishes accounting and reporting standards for ownership interests in subsidiaries held by parties other than the parent, the amount of consolidated net income attributable to the parent and to the noncontrolling interest, 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 six months ended June 30, 2010, earnings attributable to noncontrolling interests were $21.3 million and $38.7 million, respectively, and the related tax effect was $0.3 million and $0.6 million, respectively. For the three and six months ended June 30, 2009, earnings attributable to noncontrolling interests were $7.6 million and $24.6 million, respectively, and the related tax effect was $0.5 million and $1.1 million, respectively. Distributions paid to noncontrolling interests were $16.0 million and $33.3 million for the three and six months ended June 30, 2010, respectively, and $7.5 million and $14.1 million for the three and six months ended June 30, 2009, respectively. Capital contributions by noncontrolling interests were $1.0 million for the six months ended June 30, 2010. There were no capital contributions by noncontrolling interests for the six months ended June 30, 2009.

(13) The company and certain of its subsidiaries are involved in litigation in the ordinary course of business. Additionally, the company and certain of its subsidiaries are contingently liable for commitments and performance guarantees arising in the ordinary course of business. The company and certain of its clients have made claims arising from the performance under its contracts. Under ASC 605-35-25, the company recognizes revenue, but not profit, for certain claims of incurred costs when it is probable that the claims will result in additional contract revenue and when the amount of the recovery can be reliably estimated. Recognized

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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claims against clients amounted to $287 million and $247 million as of June 30, 2010 and December 31, 2009, respectively, and are primarily included in contract work in progress in the accompanying Condensed Consolidated Balance Sheet. Amounts ultimately realized from claims could differ materially from the balances included in the financial statements. The company does not expect that claim recoveries will have a material adverse effect on its consolidated financial position or results of operations.

As of June 30, 2010, several matters were in the litigation and dispute resolution process. The following discussion provides a background and current status of these matters:

Infrastructure Joint Venture Project

The company participated in a 50/50 joint venture for a fixed-price transportation infrastructure project in California. This joint venture project was adversely impacted by higher costs due to owner-directed scope changes leading to quantity growth, cost escalation, additional labor and schedule delays. The project opened to traffic in November 2007 and reached construction completion in the second quarter of 2009.

As of June 30, 2010, the company had recognized in cost and revenue its $52 million proportionate share of $104 million of costs relating to claims recognized by the joint venture. Total claims-related costs incurred, as well as claims submitted to the client by the joint venture, are in excess of the $104 million of recognized costs. As of June 30, 2010, the client had withheld liquidated damages totaling $51 million from amounts otherwise due the joint venture and had asserted additional claims against the joint venture. The company believes that the claims against the joint venture are without merit and that amounts withheld will ultimately be recovered by the joint venture and has therefore not recognized any reduction in project revenue for its $25.5 million proportionate share of the withheld liquidated damages. In addition, the client had drawn down $14.8 million against letters of credit provided by the company and its joint venture partner. The company believes that the amounts drawn down against the letters of credit will ultimately be recovered by the joint venture and, as such, has not reserved for the possible non-recovery of the company s $7.4 million proportionate share.

On March 22, 2010, the client filed for protection under Chapter 11 of the U.S. Bankruptcy Code in the Southern District of California. As a result, all actions against the client are subject to an automatic stay. The joint venture continues to pursue its claims against the client in the bankruptcy court and against other parties, including the California Department of Transportation, the ultimate owner of the facility, outside of the bankruptcy court. The joint venture recorded mechanics liens against certain properties of the client which the company believes will maintain their priority status despite the client s bankruptcy filing. The company continues to evaluate claims for recoveries and other contingencies on the project. The company continues to incur legal expenses associated with the claims and dispute resolution process.

Greater Gabbard Offshore Wind Farm Project

The company is involved in a dispute in connection with the Greater Gabbard Project, a $1.7 billion lump-sum project to provide engineering, procurement and construction services for the client s offshore wind farm project in the United Kingdom. The dispute relates to specifications for monopiles and transition pieces required under the contract. As of June 30, 2010, the company had recorded $202 million of claim revenue related to this issue for costs incurred to date. Additional costs arising from this dispute are expected to be incurred in future quarters. The company believes the ultimate recovery of incurred and future costs is probable.

Embassy Projects

The company constructed 11 embassy projects within the last six years for the U.S. Department of State under fixed-price contracts. Some of these projects were adversely impacted by higher costs due to schedule extensions, scope changes causing material deviations from the Standard Embassy Design, increased costs to meet client requirements for additional security-cleared labor, site conditions at certain locations, subcontractor and teaming partner difficulties and the availability and productivity of construction labor. As of June 30, 2010, all embassy projects were complete, with some warranty items still pending.

Aggregate costs totaling $33 million relating to outstanding claims on two of the embassy projects were recognized in revenue in previous years. Total claims-related costs incurred to date, along with claims for equitable adjustment submitted or identified,

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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exceed the amount recorded in claims revenue. As the first formal step in dispute resolution, all claims have been certified in accordance with federal contracting requirements. The company continues to periodically evaluate its position with respect to these claims.

Conex International v. Fluor Enterprises, Inc.

In November 2006, a Jefferson County, Texas, jury reached an unexpected verdict in the case of Conex International (Conex) v. Fluor Enterprises Inc. (FEI), ruled in favor of Conex and awarded $99 million in damages related to a 2001 construction project.

In 2001, Atofina (now part of Total Petrochemicals Inc.) hired Conex International to be the mechanical contractor on a project at Atofina s refinery in Port Arthur, Texas. FEI was also hired to provide certain engineering advice to Atofina on the project. There was no contract between Conex and FEI. Later in 2001 after the project was complete, Conex and Atofina negotiated a final settlement for extra work on the project. Conex sued FEI in September 2003, alleging damages for interference and misrepresentation and demanding that FEI should pay Conex the balance of the extra work charges that Atofina did not pay in the settlement. Conex also asserted that FEI interfered with Conex s contract and business relationship with Atofina. The jury verdict awarded damages for the extra work and the alleged interference.

The company appealed the decision and the judgment against the company was reversed in its entirety in December 2008. Both parties appealed the decision to the Texas Supreme Court, and the Court denied both petitions. The company requested rehearing on two issues to the Texas Supreme Court, and that request was denied. The Court remanded the matter back to the trial court for a new trial, but a new trial date has not been set. Based upon the present status of this matter, the company does not believe that there is a reasonable possibility that a loss will be incurred.

Fluor Corporation v. Citadel Equity Fund Ltd.

Citadel Equity Fund Ltd., a hedge fund and former investor in the company s 1.5 percent Convertible Senior Notes (the Notes), is disputing the calculation of the number of shares of the company s common stock that were due to Citadel upon conversion of approximately $58 million of Notes. Citadel has argued that it is entitled to an additional $28 million in value under its proposed calculation method. The company believes that the payout given to Citadel was proper and correct and that Citadel s claims are without merit. In January 2010, the court agreed with the company by granting the company s motion for summary judgment in its entirety. In February 2010, the court entered judgment in favor of the company, and Citadel filed a notice of appeal. Based upon the present status of this matter, the company does not believe that there is a reasonable possibility that a loss will be incurred.

(14) 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 facilities being constructed to a period extending beyond contract completion in certain circumstances. The maximum potential payment amount of an outstanding performance guarantee is the remaining cost of work to be performed by or on behalf of third parties under engineering and construction contracts. Amounts that may be required to be paid in excess of estimated costs 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. Performance guarantees outstanding as of June 30, 2010 are estimated to be $2.9 billion. The company assessed its performance guarantee obligation as of June 30, 2010 and December 31, 2009 in accordance with FASB Interpretation No. 45, *Guarantor s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others* (ASC 460) and the carrying value of its liability was not material.

Financial guarantees, provided in the ordinary course of business to clients and others in certain limited circumstances, are entered into with financial institutions and other credit grantors and generally obligate the company to make payment in the

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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event of a default by the borrower. Most arrangements require the borrower to pledge collateral in the form of property, plant and equipment which is deemed adequate to recover amounts the company might be required to pay. Long-term debt on the Condensed Consolidated Balance Sheet included a financial guarantee on behalf of an unrelated third party that totaled approximately $18 million as of June 30, 2010 and December 31, 2009.

(15) 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 variable interest entity (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. Upon the occurrence of certain events outlined in ASC 810-10, the company reassesses its initial determination of whether the entity is a VIE and whether consolidation is still required.

During the first quarter of 2010, the company prospectively adopted SFAS No. 167, Amendments to FASB Interpretation No. 46(R) , which amends consolidation guidance for variable interest entities under ASC 810-10 for interim and annual reporting periods beginning after November 15, 2009. The prospective adoption of this amendment did not have an impact on the company s financial position, results of operations or cash flows.

Under ASC 810-10, a partnership or joint venture is considered a VIE if either (a) the total equity investment is not sufficient to permit the entity to finance its activities without additional subordinated financial support, (b) characteristics of a controlling financial interest are missing (either the ability to make decisions through voting or other rights, the obligation to absorb the expected losses of the entity or the right to receive the expected residual returns of the entity), or (c) the voting rights of the equity holders are not proportional to their obligations to absorb the expected losses of the entity and/or their rights to receive the expected residual returns of the entity, and substantially all of the entity s activities either involve or are conducted on behalf of an investor that has disproportionately few voting rights.

ASC 810-10, as amended, now requires companies to utilize a qualitative approach to determine if it is the primary beneficiary of a VIE. A company is deemed to be the primary beneficiary and must consolidate its partnerships and joint ventures if the company has both (1) the power to direct the economically significant activities of the entity and (2) the obligation to absorb losses of, or the right to receive benefits from, the entity that could potentially be significant to the variable interest entity. Prior to the effective date of the amendment, companies were required to utilize both qualitative and quantitative information to determine if it was the primary beneficiary of a VIE.

The partnerships or joint ventures of the company are typically characterized by a 50 percent or less, non-controlling, 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. Such funding is infrequent and is not anticipated to be material. The majority of the company s partnerships and joint ventures are 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. However, the VIEs frequently do not meet the consolidation requirements of ASC 810-10 because the company is not deemed to be the primary beneficiary. Some of the company s VIEs have debt, but the debt is typically non-recourse in nature. At times, the company s participation in VIEs requires agreements to provide financial or performance assurances to clients. Refer to Note 14 for a further discussion of such agreements.

The contractual agreements that define the ownership structure and equity investment at risk, distribution of profits and losses, risks, responsibilities, indebtedness, voting rights and board representation of the respective parties are used to determine if the entity is a VIE and whether the company is the primary beneficiary and must consolidate the entity. Additionally, the company considers all parties that have direct or implicit variable interests when determining whether it is the primary beneficiary. ASC 810-10, as amended, now requires the company to continuously assess whether it is the primary beneficiary of its VIEs. Prior to the amendment, reassessment of whether the company was the primary beneficiary was required only upon the occurrence of certain events.

As of June 30, 2010, the company reassessed its partnerships and joint ventures in accordance with the requirements of ASC 810-10. Consistent with prior periods, the company had a number of entities that were determined to be VIEs, with the majority not meeting the consolidation requirements of ASC 810-10 because the company was not the primary beneficiary. Most of the

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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unconsolidated VIEs are proportionately consolidated, though the equity and cost methods of accounting for the investments are also used, depending on the company s respective participation rights, amount of influence in the VIE and other factors. The aggregate investment carrying value of the unconsolidated VIEs was $133 million and $116 million as of June 30, 2010 and December 31, 2009, respectively, and was classified under Investments and goodwill in the Condensed Consolidated Balance Sheet. The company s maximum exposure to loss as a result of its investments in unconsolidated VIEs is typically limited to the aggregate of the carrying value of the investment and future funding commitments. Future funding commitments as of June 30, 2010 for the unconsolidated VIEs were $20 million. None of the unconsolidated VIEs are individually material to the company s results of operations, financial position or cash flows.

In some cases, the company is required to consolidate VIEs. The carrying value of the assets and liabilities associated with the operations of the consolidated VIEs as of June 30, 2010 was $518 million and $403 million, respectively. The carrying value of the assets and liabilities associated with the operations of the consolidated VIEs as of December 31, 2009 was $410 million and $268 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. As of June 30, 2010, the carrying value of the assets and liabilities of the Fluor SKM joint venture, formed for the execution of the Rapid Growth Project in Australia, were $128 million and $140 million, respectively. As of December 31, 2009, the carrying value of the assets and liabilities of the Fluor SKM joint venture were $82 million and $78 million, respectively. The company s results of operations include revenue related to the Fluor SKM joint venture of $744 million and $1.3 billion for the three and six months ended June 30, 2010, respectively, and $206 million and $519 million for the three and six months ended June 30, 2009, respectively. None of the other consolidated VIEs are individually material to the company s results of operations, financial position or cash flows.

(16) Operating information by segment is as follows:

	Three Months Ended June 30,		**Six Months Ended June 30,**	
External Revenue (in millions)	**2010**	**2009**	**2010**	**2009**
Oil & Gas	$ 1,760.6	$ 3,028.3	$ 3,900.0	$ 6,397.8
Industrial & Infrastructure	1,819.4	998.2	3,062.8	2,174.7
Government	776.7	478.9	1,439.5	849.7
Global Services	326.8	340.6	665.9	762.3
Power	468.6	446.6	1,002.8	905.9
Total external revenue	$ 5,152.1	$ 5,292.6	$ 10,071.0	$ 11,090.4

	Three Months Ended June 30,		**Six Months Ended June 30,**	
Segment Profit (in millions)	**2010**	**2009**	**2010**	**2009**

Oil & Gas	$ 97.7	$ 180.8	$ 190.0	$ 381.6
Industrial & Infrastructure	48.3	34.1	80.0	62.2
Government	35.1	33.5	70.4	61.2
Global Services	31.7	25.6	59.1	73.0
Power	49.6	35.3	106.1	63.6
Total segment profit	$ 262.4	$ 309.3	$ 505.6	$ 641.6

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A reconciliation of the segment information to consolidated amounts is as follows:

Reconciliation of Segment Profit to Earnings Before Taxes (in millions)	**Three Months Ended June 30,**		**Six Months Ended June 30,**	
	2010	**2009**	**2010**	**2009**
Total segment profit	$ 262.4	$ 309.3	$ 505.6	$ 641.6
Corporate general and administrative expense	(27.8)	(42.0)	(58.7)	(67.4)
Interest income, net	3.2	3.4	6.6	8.0
Earnings attributable to noncontrolling interests	21.3	7.6	38.7	24.6
Earnings before taxes	$ 259.1	$ 278.3	$ 492.2	$ 606.8

Total assets by segment are as follows:

Total assets (in millions)	**June 30, 2010**	**December 31, 2009**
Oil & Gas	$ 922.7	$ 972.3
Industrial & Infrastructure	946.2	675.9
Government	1,103.3	660.3
Global Services	755.2	744.5
Power	144.1	171.0

The increase in total assets for the Industrial & Infrastructure and Government segments was due to an increase in working capital to support project execution activities.

Effective January 1, 2010, the company moved its power services business to the Power segment from the Global Services segment. The operating results and total assets presented above have been recast to reflect this change.

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

The following discussion and analysis is provided to increase understanding of, and should be read in conjunction with, the Condensed Consolidated Financial Statements and notes and the company s annual report on Form 10-K for the fiscal year ended December 31, 2009. 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. For a reconciliation of segment profit to earnings before taxes, see Note 16 of the Notes to Condensed Consolidated Financial Statements.

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 and organizational changes are forward-looking in nature. Words such as believes, expects, anticipates, plans and variations of such words and similar expressions are intended to identify such forward-looking statements. These forward-looking statements reflect current analysis of existing information and are subject to various risks and uncertainties. As a result, caution must be exercised in relying on forward-looking statements. Due to known and unknown risks, the company s actual results may differ materially from its expectations or projections. Factors potentially contributing to such differences include, among others:

- Intense competition in the global engineering, procurement and construction industry, which can place downward pressure on our contract prices and profit margins;

- The company s failure to receive anticipated new contract awards and the related impacts on staffing levels and cost;

- Decreased capital investment or expenditures, or a failure to make anticipated increased capital investment or expenditures, by the company s clients;

- Difficulties or delays incurred in the execution of contracts, including performance by our joint venture or teaming partners, resulting in cost overruns or liabilities;

- Failure to meet timely completion or performance standards that could result in higher cost and reduced profits or, in some cases, losses on projects;

- The cyclical nature of many of the markets the company serves, including our commodity-based business lines, and our vulnerability to downturns;

- The financial viability of our clients, subcontractors, suppliers and joint venture or teaming partners;

- Client cancellations of, or scope adjustments to, existing contracts, including our government contracts that may be terminated at any time and the related impacts on staffing levels and cost;

- Client delays or defaults in making payments;
- The availability of credit and restrictions imposed by credit facilities, both for the company and our clients;
- A failure to obtain favorable results in existing or future litigation or dispute resolution proceedings;
- Failure to maintain safe work sites;
- 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;
- Possible limitations of bonding or letter of credit capacity;
- The impact of anti-bribery and international trade laws and regulations;
- The impact of past and future environmental, health and safety regulations;
- The potential impact of certain tax matters including, but not limited to, those from foreign operations and the ongoing audits by tax authorities;
- The company s ability to identify and successfully integrate acquisitions;
- The company s ability to secure appropriate insurance;
- Limitations on cash transfers from subsidiaries that may restrict the company s ability to satisfy financial obligations or to pay interest or principal when due on outstanding debt;
- Restrictions on possible transactions imposed by our charter documents and Delaware law; and
- Possible systems and information technology interruptions.

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

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excess of amounts previously recognized could result in a charge against future earnings.

Additional information concerning these and other factors can be found in our press releases as well as our periodic filings with the Securities and Exchange Commission, including the discussion under the heading Item 1A. Risk Factors in this Form 10-Q as well as the company s Form 10-K filed February 25, 2010. These filings are available publicly on the SEC s website at http://www.sec.gov, on Fluor s website at http://investor.fluor.com or upon request from Fluor s Investor Relations Department at (469) 398-7220. 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

Consolidated revenue for the three months ended June 30, 2010 declined 3 percent to $5.2 billion from $5.3 billion for the three months ended June 30, 2009. Consolidated revenue for the six months ended June 30, 2010 declined 9 percent to $10.1 billion from $11.1 billion for the six months ended June 30, 2009. Revenue increases in the Industrial & Infrastructure, Government and Power segments were more than offset by revenue declines in the Oil & Gas and Global Services segments.

Net earnings attributable to Fluor Corporation were $157 million, or $0.87 per diluted share, and $294 million, or $1.63 per diluted share, for the three and six months ended June 30, 2010, compared to net earnings attributable to Fluor Corporation of $169 million, or $0.93 per diluted share, and $374 million, or $2.05 per diluted share, for the corresponding periods of 2009. The decrease in earnings for the 2010 periods was primarily due to the lower volume and associated earnings in the Oil & Gas segment, which offset improved performance in the Power, Industrial & Infrastructure and Government segments. Increased earnings in the Power segment were primarily the result of increased contributions from a coal-fired power project in Texas that reached substantial completion, along with better performance from a gas-fired power plant project in Texas and an emissions control retrofit project that is nearing completion in South Carolina. These positive contributions in Power were offset somewhat by provisions of $51 million in the current quarter and $63 million for the six months ended June 30, 2010 taken on a gas-fired power project in Georgia for estimated additional costs to complete the project. The company is currently in discussions regarding several major change notices with the client regarding this project, for which no recovery has been assumed to date. The improved performance in Industrial & Infrastructure was driven by growth in the mining and metals business line. Government earnings improved primarily due to project execution activities for the United States Army in Afghanistan.

The decreases in consolidated revenue and net earnings attributable to Fluor Corporation for the current quarter and first half of 2010 when compared to the same periods in 2009 were primarily due to the global recession, changing market conditions and a decline in the demand for new capacity in the refining, petrochemical and polysilicon markets. The global recession continues to impact the near-term capital investment plans of many of the company s clients across all of the company s segments except Government and the mining and metals business line in the Industrial & Infrastructure segment. The timing of the expected recovery for the businesses impacted by the recession is uncertain. The global recession has also resulted in a highly competitive business environment that has put increased pressure on margins. This trend is expected to continue and, in certain cases, may result in more lump-sum project execution for the company. In some instances, margins are being negatively impacted by the change in the mix of work performed (e.g., a higher concentration of lower margin construction work instead of higher margin engineering activities, as well as a higher content of mining and metals project execution activities, which generally earn lower margins than other projects).

The effective tax rate, based on the company s actual operating results for the three and six months ended June 30, 2010 was 31.2 percent and 32.5 percent, respectively compared to 36.6 percent and 34.5 percent for the corresponding periods of 2009. The effective tax rate was lower in the current year periods because of the favorable impact of an unanticipated audit settlement that resulted in the recognition of a previously unrecognized tax benefit. The effective tax rate also benefitted from increased earnings attributable to noncontrolling interests for which taxes are not paid by the company. In March 2010, President Obama signed into law the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010. Beginning January 1, 2013, these laws change the tax treatment for retiree prescription drug expenses by eliminating the tax deduction available to the extent that those expenses are reimbursed under Medicare Part D. These laws did not have a material impact on the company s financial position, results of operations or cash flows.

Consolidated new awards were $9.3 billion and $12.7 billion for the three and six months ended June 30, 2010 compared to new awards of $6.8 billion and $12.3 billion for the three and six months ended June 30, 2009. The increase in the new award activity in the current periods was due to the strength of the mining and metals business line in the Industrial & Infrastructure segment. Approximately 87 percent of consolidated new awards for the six months ended June 30, 2010 were for projects located outside of the United States compared to 75 percent for the first six months of 2009.

Consolidated backlog as of June 30, 2010 was $30.2 billion, essentially level with consolidated backlog of $30.9 billion as of June 30, 2009. As of June 30, 2010, approximately 72 percent of consolidated backlog related to projects located outside the United States compared to 59 percent as of June 30, 2009. 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

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project scope and cost, and deferrals, as appropriate.

Effective January 1, 2010, the company moved the power services business to the Power segment from the Global Services segment. Operating results, total assets, new awards and backlog have been recast for the Power and Global Services segments to reflect this change.

OIL & GAS

Revenue and segment profit for the Oil & Gas segment are summarized as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions)	**2010**	**2009**	**2010**	**2009**
Revenue	$ 1,760.6	$ 3,028.3	$ 3,900.0	$ 6,397.8
Segment profit	97.7	180.8	190.0	381.6

Revenue for the three and six months ended June 30, 2010 decreased 42 percent and 39 percent, respectively, compared to the corresponding periods in 2009 primarily due to reduced project execution activities. A number of large projects have been completed or are near completion and new award activity in recent quarters has slowed.

Segment profit for the three and six months ended June 30, 2010 decreased 46 percent and 50 percent, respectively, compared to the same periods in 2009 primarily as the result of the reduced project execution activities discussed in the prior paragraph. Segment profit for the current year periods was also affected, but to a far lesser extent, by the factors that resulted in lower segment profit margins, discussed below.

Segment profit margin for the three and six months ended June 30, 2010 was 5.5 percent and 4.9 percent, respectively, compared to 6.0 percent for both the three and six months ended June 30, 2009. The reduced segment profit margins for the 2010 periods were primarily due to increased bid and proposal activities and the retention of key resources, in part to support the bid and proposal activities.

New awards for the three months ended June 30, 2010 were $1.0 billion, compared to $2.9 billion for the corresponding period of 2009. Backlog at June 30, 2010 decreased 35 percent to $10.2 billion compared to $15.8 billion at June 30, 2009.

The global recession, changing market conditions and a decline in demand for new capacity in the refining, petrochemical and polysilicon markets have resulted in lower new award activity in recent quarters and caused some project cancellations during 2009. As a consequence of the lower level of new awards and the 2009 project cancellations, Oil & Gas backlog, revenue and segment profit have declined when comparing the first six months of 2010 to the corresponding period of the prior year. Although the segment continues to be impacted by some of the effects of the recession, there are indications that the segment could see a higher level of new awards in the second half of 2010, particularly in certain markets outside the United States, including the Middle East, Canada, China and Australia. It is anticipated that a highly competitive business environment will continue to put pressure on margins and, in certain cases, may result in more lump-sum project execution for the segment.

Total assets in the segment decreased modestly to $923 million as of June 30, 2010 from $972 million as of December 31, 2009.

INDUSTRIAL & INFRASTRUCTURE

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

	Three Months Ended June 30,		**Six Months Ended June 30,**	
(in millions)	**2010**	**2009**	**2010**	**2009**
Revenue	$ 1,819.4	$ 998.2	$ 3,062.8	$ 2,174.7
Segment profit	48.3	34.1	80.0	62.2

Revenue for the three and six months ended June 30, 2010 increased 82 percent and 41 percent, respectively, compared to the three and six months ended June 30, 2009 primarily as a result of growth in the mining and metals business line. The mining and metals growth resulted from the movement of a number of large projects to the construction phase in 2010, as well as substantial progress on a large iron ore mining project in northwest Australia. (The Australian project accounted for approximately $540 million of the revenue increase comparing the second quarter of 2010 to the second quarter of 2009 and approximately $800 million of the revenue increase when comparing the six months ended June 30, 2010 to the six months ended June 30, 2009.) Significant revenue growth in the infrastructure business line for the 2010 periods, driven largely by substantial progress on the Greater Gabbard project, was largely offset by a revenue decline in manufacturing and life sciences.

Segment profit of $48.3 million and $80.0 million for the three and six month periods ended June 30, 2010 increased 42 percent and 29 percent, respectively, compared to corresponding periods in the prior year primarily because of the growth in the mining and metals business line. Segment profit margins of 2.7 percent and 2.6 percent for the three and six months ended June 30, 2010, respectively, declined compared to segment profit margins of 3.4 percent and 2.9 percent for the three and six months ended June 30, 2009. Segment profit margins for the current year periods were lower than the corresponding periods of the previous year because the current year included a higher content of construction activities, which carry a lower margin than engineering activities. The current year periods also had a higher concentration of mining and metals revenue compared to total segment revenue. Mining and metals projects, which made up 66 percent of the segment s business in the current quarter compared to 49 percent in the second quarter of last year, generally earn lower margins than other projects in the segment. Segment profit and segment profit margins in the current year periods were also impacted by the claim on the Greater Gabbard project for which no profit was recognized. The company does not expect to recognize profit, if any, related to this project until the dispute is resolved. However, significant revenue was recognized in the current year periods (approximately $300 million of revenue for the current quarter and $460 million revenue year-to-date).

New awards for the three months ended June 30, 2010 were $7.2 billion compared to $2.2 billion for the 2009 comparison period. The substantial improvement in new awards is attributable to the mining and metals business line, including a large aluminum program in the Middle East (approximately $3.0 billion), a copper project in Chile ($1.4 billion), a copper/gold project in Mongolia (approximately $1.0 billion), and a copper/gold project in Australia (approximately $1.0 billion). Backlog increased to $16.1 billion at June 30, 2010 compared to $9.8 billion at June 30, 2009. This increase is primarily attributable to new awards in the mining and metals business line during 2010.

Total assets in the segment increased to $946 million as of June 30, 2010 from $676 million as of December 31, 2009, corresponding to an increase in working capital to support project execution activities.

GOVERNMENT

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

	Three Months Ended June 30,		**Six Months Ended June 30,**	
(in millions)	**2010**	**2009**	**2010**	**2009**
Revenue	$ 776.7	$ 478.9	$ 1,439.5	$ 849.7
Segment profit	35.1	33.5	70.4	61.2

Revenue for the three and six months ended June 30, 2010 increased 62 percent and 69 percent, respectively, compared to the same periods in the prior year primarily due to the execution of Logistics Civil Augmentation Program (LOGCAP IV) task orders for the United States Army in

Afghanistan. Current year revenue growth for the Savannah River Site Management and Operating (Savannah River) Project in South Carolina and American Recovery and Reinvestment Act (ARRA) funded work at Savannah River was offset by a decrease in revenue at the Hanford Environmental Management Project in Washington, which was completed in 2009.

Segment profit for the three and six months ended June 30, 2010 increased 5 percent and 15 percent, respectively, compared to the corresponding 2009 periods primarily as the result of additional work associated with LOGCAP IV task orders. The segment profit improvement observed for both 2010 periods was not as significant as the percentage growth in revenue primarily because the 2009 periods included the impact of a favorable outcome of $15.3 million related to requests for equitable adjustment that were awarded for a fixed-price contract at the Bagram Air Base in Afghanistan.

Segment profit margin for the three and six months ended June 30, 2010 was 4.5 percent and 4.9 percent, respectively, compared to 7.0 percent and 7.2 percent for the three and six months ended June 30, 2009. Segment profit margins were comparatively lower in the 2010 periods primarily because the 2009 periods included $15.3 million of segment profit for the award of requests for equitable adjustment related to the Bagram Air Base in Afghanistan.

New awards for the three months ended June 30, 2010 were $638 million compared to $866 million for the 2009 period. New awards for the current quarter were primarily associated with LOGCAP IV task orders which totaled $542 million. The prior year quarter included $612 million of new awards associated with ARRA multi-year funded work at Savannah River. Backlog of $635 million at June 30, 2010 decreased compared to June 30, 2009 backlog of $974 million due to project execution activities associated with the ARRA work.

Total assets in the Government segment increased to $1.1 billion as of June 30, 2010 compared to $660 million as of December 31, 2009 primarily as a result of an increase in working capital to support project execution activities for LOGCAP IV task orders.

GLOBAL SERVICES

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions)	**2010**	**2009**	**2010**	**2009**
Revenue	$ 326.8	$ 340.6	$ 665.9	$ 762.3
Segment profit	31.7	25.6	59.1	73.0

Revenue decreased modestly for the three months ended June 30, 2010 compared to the three months ended June 30, 2009 as reduced activity in the equipment business line supporting certain operations in Iraq was offset somewhat by an increase in revenue in the operations and maintenance business line which benefitted from the emergency response efforts in support of the Gulf Coast oil spill cleanup. Revenue declined 13 percent for the six months ended June 30, 2010 compared to the corresponding period in the prior year primarily due to a reduction in the equipment business line s Iraq business activities. The segment continues to be impacted by the global economic downturn, particularly for equipment operations in Latin America and the temporary staffing business line. The operations and maintenance business line has shown some signs of recovery, but challenges still remain with natural resources, metals and chemicals prospects. In some cases, refinery turnaround and shutdown work previously awarded to the operations and maintenance business line continues to be delayed or performed internally by clients. All of the business lines of the segment continue to be impacted by the weak economy and it remains unclear as to when a broad-based recovery will occur.

Segment profit increased 24 percent for the three months ended June 30, 2010 compared to the three months ended June 30, 2009 primarily as a result of improved contributions from the operations and maintenance business line, which included activities in support of the Gulf Coast oil spill cleanup. Segment profit margin was 9.7 percent in the current quarter compared to 7.5 percent for the same quarter in 2009. This improvement was primarily due to the reduced activity in the equipment business line s support of certain low margin operations in Iraq.

Segment profit declined 19 percent for the first half of 2010 compared to the first half of 2009, primarily as the result of the impact of the economic and market conditions discussed above on all business lines of the segment. The impact of these conditions was partially offset by profits from the oil spill cleanup activities. Segment profit margin for the six months ended June 30, 2010 was 8.9 percent compared to 9.6 percent for the same period in 2009. Lower margins associated with the adverse economic and market conditions were mitigated somewhat by improvement in the equipment business line due to reduced activity on the lower margin Iraq work.

New awards for the three months ended June 30, 2010 were $359 million compared to $371 million for the corresponding period in 2009. Backlog as of June 30, 2010 was $2.1 billion, compared to backlog of $1.8 billion as of June 30, 2009. Operations and maintenance activities that have yet to be performed comprise Global Services backlog. Short-duration operations and maintenance activities may not contribute to ending backlog. In addition, the equipment, temporary staffing and supply chain solutions business lines do not report backlog or new awards.

Total assets in the segment were $755 million as of June 30, 2010 compared to $744 million as of December 31, 2009.

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POWER

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions)	**2010**	**2009**	**2010**	**2009**
Revenue	$ 468.6	$ 446.6	$ 1,002.8	$ 905.9
Segment profit	49.6	35.3	106.1	63.6

Revenue for the three and six months ended June 30, 2010 increased 5 percent and 11 percent, respectively, compared to the three and six months ended June 30, 2009 primarily due to increased project execution activities on gas-fired power plants located in Texas, Virginia and Georgia. The revenue increase associated with these projects was offset somewhat by the expected reduction in project execution activities on the Oak Grove coal-fired power project in Texas for Luminant, a unit of Energy Futures Holdings Corporation, which is nearly complete.

Segment profit for the three and six months ended June 30, 2010 increased 41 percent and 67 percent, respectively, compared to the same periods in 2009. The increase in segment profit was primarily driven by increased contributions from the Oak Grove project as a result of reaching substantial completion and achieving contractual performance guarantees, along with better performance from a gas-fired power plant project in Texas and an emissions control retrofit project that is nearing completion in South Carolina. These positive results were offset somewhat by provisions of $51 million in the current quarter and $63 million for the six months ended June 30, 2010 taken on a gas-fired power project in Georgia for estimated additional costs to complete the project. The company is currently in discussions regarding several major change notices with the client, for which no recovery has been assumed to date.

Segment profit margin for both the three and six months ended June 30, 2010 was 10.6 percent compared to 7.9 percent and 7.0 percent for the three and six months ended June 30, 2009. The improvement in segment profit margin resulted from the increased contributions of the projects driving increases in segment profit, discussed above.

The Power segment continues to be impacted by delays in obtaining air permits for coal-fired power plants due to concerns over carbon emissions. In addition, power producers have been impacted by the global credit crisis and continuing reduced demand. New awards in the Power segment are typically large in amount, but occur on an irregular basis. New awards for the three months ended June 30, 2010 were $82 million compared to $354 million in the second quarter of 2009 which included two gas-fired power plants. Backlog declined to $1.1 billion as of June 30, 2010 from $2.6 billion as of June 30, 2009, primarily because the work performed on the Oak Grove project and the major gas-fired power plants mentioned above was not replaced by new award activity.

Total assets in the Power segment declined marginally to $144 million as of June 30, 2010 from $171 million as of December 31, 2009.

OTHER

Corporate general and administrative expense for the three and six months ended June 30, 2010 was $27.8 million and $58.7 million, respectively, compared to $42.0 million and $67.4 million for the three and six months ended June 30, 2009. The decrease in the current year periods was primarily due to reduced compensation cost.

Net interest income was $3.2 million and $6.6 million during the three and six month periods ended June 30, 2010 compared to net interest income of $3.4 million and $8.0 million during the corresponding periods of 2009.

Income tax expense for the three and six months ended June 30, 2010 and 2009 is discussed above under   Results of Operations.

RECENT ACCOUNTING PRONOUNCEMENTS

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

LITIGATION AND MATTERS IN DISPUTE RESOLUTION

See Note 13 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 and access to financial markets. In addition, the company has committed and uncommitted lines of credit totaling $3.1 billion, which may be used for revolving loans, letters of credit and general purposes. The company believes that for at least the next 12 months, cash generated from operations, along with its unused credit capacity of $2.0 billion, is sufficient to fund operating requirements. The company s conservative financial strategy and consistent performance have earned it strong credit ratings, resulting in continued access to the financial markets. As of June 30, 2010, the company was in compliance with all of the financial covenants related to its debt agreements. The company s total debt to total capitalization (debt-to-capital) ratio as of June 30, 2010 was 3.2 percent compared to 3.7 percent as of December 31, 2009.

Cash Flows

Cash and cash equivalents were $1.4 billion as of June 30, 2010 compared to $1.7 billion as of December 31, 2009. Cash and cash equivalents combined with current and noncurrent marketable securities were $2.1 billion and $2.6 billion as of June 30, 2010 and December 31, 2009, respectively.

Operating Activities

Cash utilized from operating activities for the six months ended June 30, 2010 was $227 million compared to cash provided by operating activities of $385 million during the same period in 2009. The reduced cash flow from operating activities in the current period is attributable to an increase in working capital to support project execution activities in the Government and Industrial & Infrastructure segments. In addition, the Government segment experienced an increase in contract work in progress related to certain billing rates and contract modifications that are being negotiated. During the six months ended June 30, 2009, cash provided by operating activities of $385 million resulted primarily from earnings sources.

The company contributed approximately $11 million into its defined benefit plans during the six months ended June 30, 2010. The company expects to fund approximately $50 million to $90 million during 2010, which is expected to be in excess of the minimum funding required.

Investing Activities

Cash provided by investing activities amounted to $152 million for the six months ended June 30, 2010 while cash utilized by investing activities amounted to $937 million for the six months ended June 30, 2009. The primary investing activities included purchases, sales and maturities of marketable securities and capital expenditures.

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 six months ended June 30, 2010, proceeds from the sales and maturities of marketable securities exceeded purchases by $267 million. During the six months ended June 30, 2009, purchases of marketable securities exceeded proceeds by $834 million. The company held current and noncurrent marketable securities of $648 million and $939 million as of June 30, 2010 and December 31, 2009, respectively.

Capital expenditures for the six months ended June 30, 2010 and 2009 primarily related to construction equipment associated with equipment operations in the Global Services segment.

Financing Activities

Cash utilized in financing activities during the six months ended June 30, 2010 and 2009 of $146 million and $139 million, respectively, included company stock repurchases, company dividend payments to shareholders, convertible note repayments, corporate-owned life insurance loan repayments and distributions paid to holders of noncontrolling interests.

Cash flows from financing activities in the first half of 2010 included the repurchase of 379,600 shares of the company s common stock for $17 million under its stock repurchase program. Cash flows from financing activities in the first half of 2009 included the repurchase of 1,800,000 shares of the company s common stock for $61 million under its stock repurchase program. Quarterly cash dividends are declared at a rate of $0.125 per share and are typically paid in the month following the quarter in which they are declared. The payment and level of future cash dividends is subject to the discretion of the company s Board of Directors.

In February 2004, the company issued $330 million of 1.5% Convertible Senior Notes (the Notes) due February 15, 2024 and received proceeds of $323 million, net of underwriting discounts. In December 2004, the company irrevocably elected to pay the principal amount of the Notes in cash. Notes are convertible if a specified trading price of the company s common stock (the trigger price) is achieved and maintained for a specified period. The trigger price condition was satisfied during the fourth quarter of 2009 and second quarter of 2010 and the Notes were therefore classified as short-term debt. During the six months ended June 30, 2010, holders converted $10 million of the Notes in exchange for the principal balance owed in cash plus 135,048 shares of the company s common stock. During the six months ended June 30, 2009, holders converted $12 million of the Notes in exchange for the principal balance owed in cash plus 75,997 shares of the company s common stock. The Notes are currently redeemable at the option of the company, in whole or in part, at 100 percent of the principal amount plus accrued and unpaid interest. The company does not know the timing or principal amount of the remaining Notes that may be presented for conversion in the future. Available cash balances will be used to satisfy any principal and interest payments. Shares of the company stock will be issued to satisfy any appreciation between the conversion price and the market price on the date of conversion.

Distributions paid to holders of noncontrolling interests were $33 million and $14 million during the six months ended June 30, 2010 and 2009, respectively. The increase is primarily due to the Rapid Growth Project and the Interstate 495 Capital Beltway Project. See Note 13 to the annual report on Form 10-K for further discussion of these projects.

During the second quarter of 2010, the company repaid $32 million in principal related to loans against the cash surrender value of corporate-owned life insurance policies.

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 other comprehensive loss. Unrealized losses of $29 million in 2010 related to the effect of exchange rate changes on cash. The cash held in foreign currencies will primarily be used for project-related expenditures in those currencies, and therefore the company s exposure to realized exchange gains and losses is considered nominal.

Off-Balance Sheet Arrangements

Guarantees and Commitments

The company has a combination of committed and uncommitted lines of credit that total $3.1 billion. These lines may be used for revolving loans, letters of credit and general purposes. The committed lines of credit consist of a $1.5 billion Senior Credit Facility that matures in 2011 and a $500 million letter of credit facility that matures in 2014. Borrowings on the $1.5 billion Senior Credit Facility are to bear interest at rates based on the London Interbank Offered Rate (LIBOR), plus an applicable borrowing margin. Letters of credit are provided to clients and other third parties in the ordinary course of business to meet bonding requirements. As of June 30, 2010, $1.1 billion in letters of credit were outstanding under these lines of credit.

The company posts surety bonds as generally required by commercial terms of the contracts, primarily to guarantee its performance on state and local government projects. As of June 30, 2010, the performance of the financial markets has not disrupted the company s surety programs or limited its ability to access needed surety capacity.

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 facilities being constructed to a period extending beyond contract completion in certain circumstances. The maximum potential payment amount of an outstanding performance guarantee is the remaining cost of work to be performed by or on behalf of third parties under engineering and construction contracts. 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. Performance guarantees outstanding as of June 30, 2010 are estimated to be $2.9 billion. The company assessed its performance guarantee obligation as of June 30, 2010 and December 31, 2009 in accordance with FASB Interpretation No. 45, *Guarantor s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others* (ASC 460) and the carrying value of its liability was not material.

Financial guarantees, made in the ordinary course of business on behalf of clients and others 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. Most arrangements require the borrower to pledge collateral in the form of property, plant and equipment which is deemed adequate to recover amounts the company might be required to pay. Long-term debt on the Condensed Consolidated Balance Sheet included a financial guarantee on behalf of an unrelated third party that totaled approximately $18 million as of June 30, 2010 and December 31, 2009, respectively.

Variable Interest Entities

In the normal course of business, the company forms partnerships or joint ventures primarily for the execution of single contracts or projects. The company evaluates each partnership and joint venture to determine whether the entity is a variable interest entity (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.

During the first quarter of 2010, the company prospectively adopted SFAS No. 167, Amendments to FASB Interpretation No. 46(R) , which amends consolidation guidance for variable interest entities under ASC 810-10 for interim and annual reporting periods beginning after November 15, 2009. Adoption of this amendment did not have an impact on the company s financial position, results of operations or cash flows.

For further discussion of the company s VIEs, see Note 15 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 half of 2010. Accordingly, the disclosures provided in the Annual Report on Form 10-K for the year ended December 31, 2009 remain current.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our principal executive officer and principal financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) of the Exchange Act). Based on this evaluation, our principal executive officer and principal financial officer concluded that those disclosure controls and procedures were effective.

Changes in Internal Control over Financial Reporting

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

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FLUOR CORPORATION

CHANGES IN CONSOLIDATED BACKLOG

UNAUDITED

	Three Months Ended June 30,	
(in millions)	**2010**	**2009**
Backlog beginning of period	$ 25,701.1	$ 29,131.8
New awards	9,345.4	6,770.7
Adjustments and cancellations, net	158.1	121.7
Work performed	(5,045.2)	(5,132.1)
Backlog end of period	$ 30,159.4	$ 30,892.1

	Six Months Ended June 30,	
(in millions)	**2010**	**2009**
Backlog beginning of period	$ 26,778.7	$ 33,245.3
New awards	12,704.5	12,264.2
Adjustments and cancellations, net	517.2	(3,834.4)
Work performed	(9,841.0)	(10,783.0)
Backlog end of period	$ 30,159.4	$ 30,892.1

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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. While we cannot predict the outcome of these proceedings, in our opinion and taking into account reports of counsel, we do not believe that the outcome of any of these proceedings, or all of them combined, will have a material adverse effect on the consolidated financial position, or the results of operations of the company, after giving effect to provisions already recorded.

For information on matters in dispute, see Note 13 to the Condensed Consolidated Financial Statements under Part I, Item 1.

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, 2009.

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 June 30, 2010 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(1)		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(2)
April 1, 2010	April 30, 2010	2,366	$	47.65	N/A	4,831,200
May 1, 2010	May 31, 2010	67	$	53.61	N/A	4,831,200

June 1, 2010	June 30, 2010	1,449	$	45.75	N/A	4,831,200
Total		3,882	$	47.04	N/A	

(1) These shares were cancelled as payment for statutory withholding taxes upon the vesting of restricted stock issued pursuant to equity based employee benefit plans.

(2) On September 20, 2001, the company announced that the Board of Directors had approved the repurchase of up to five million shares of our common stock. On August 6, 2008, the Board of Directors increased the number of shares available for repurchase by 4,135,400 shares to account for the company s two-for-one stock split. This repurchase program is ongoing and does not have an expiration date.

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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 9, 2008).
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, 2010).
4.1	Indenture between Fluor Corporation and Bank of New York, as trustee, dated as of February 17, 2004 (incorporated by reference to Exhibit 4.1 to the registrant s Current Report on Form 8-K filed on February 17, 2004).
4.2	First Supplemental Indenture between Fluor Corporation and The Bank of New York, as trustee, dated as of February 17, 2004 (incorporated by reference to Exhibit 4.2 to the registrant s Current Report on Form 8-K filed on February 17, 2004).
10.1	Distribution Agreement between the registrant and Fluor Corporation (renamed Massey Energy Company) (incorporated by reference to Exhibit 10.1 to the registrant s Current Report on Form 8-K filed on December 7, 2000).
10.2	Fluor Corporation 2000 Executive Performance Incentive Plan, as amended and restated as of March 30, 2005 (incorporated by reference to Exhibit 10.5 to the registrant s Quarterly Report on Form 10-Q filed on May 5, 2005).
10.3	Fluor Corporation 2000 Restricted Stock Plan for Non-Employee Directors, as amended and restated effective January 1, 2010 (incorporated by reference to Exhibit 10.3 to the registrant s Quarterly Report on Form 10-Q filed on May 10, 2010).
10.4	Fluor Corporation 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).
10.5	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).
10.6	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).
10.7	Fluor Executives Supplemental Benefit Plan (incorporated by reference to Exhibit 10.8 to the registrant s Annual Report on Form 10-K filed on February 29, 2008).
10.8	Fluor Corporation Retirement Plan for Outside Directors (incorporated by reference to Exhibit 10.15 to the registrant s Registration Statement on Form 10/A (Amendment No. 1) filed on November 22, 2000).
10.9	Executive Severance Plan (incorporated by reference to Exhibit 10.10 to the registrant s Annual Report on Form 10-K filed on February 29, 2008).
10.10	2001 Fluor Stock Appreciation Rights Plan, as amended and restated on November 1, 2007 (incorporated by reference to Exhibit 10.12 to the registrant s Annual Report on Form 10-K filed on February 29, 2008).
10.11	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).
10.12	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).

10.13	Offer of Employment Letter dated May 7, 2001 from Fluor Corporation to D. Michael Steuert (incorporated by reference to Exhibit 10.17 to the registrant s Annual Report on Form 10-K filed on March 15, 2004).
10.14	Amended and Restated Credit Agreement, dated as of September 7, 2006, among Fluor Corporation, BNP Paribas, as Administrative Agent and an Issuing Lender, Citicorp USA, Inc., as Syndication Agent, Bank of America, N.A. and The Bank of Tokyo-Mitsubishi UFJ, Ltd., as Co-Documentation Agents, and the lenders party thereto (including schedules and exhibits thereto).*

10.15 Summary of Fluor Corporation Non-Employee Director Compensation (incorporated by reference to Exhibit 10.18 to the registrant s Quarterly Report on Form 10-Q filed on November 7, 2007).

10.16 Fluor Corporation 409A Deferred Directors Fees Program, effective as of January 1, 2005 (incorporated by reference to Exhibit 10.1 to the registrant s Current Report on Form 8-K filed on December 21, 2007).

10.17 Fluor 409A Executive Deferred Compensation Program, effective as of January 1, 2005 (incorporated by reference to Exhibit 10.2 to the registrant s Current Report on Form 8-K filed on December 21, 2007).

10.18 Fluor Corporation 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 9, 2008).

10.19 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).

10.20 Retention Award granted to Stephen B. Dobbs on February 7, 2008 (incorporated by reference to Exhibit 10.22 to the registrant s Annual Report on Form 10-K filed on February 25, 2009).

10.21 Retention Award granted to David T. Seaton on February 7, 2008 (incorporated by reference to Exhibit 10.23 to the registrant s Annual Report on Form 10-K filed on February 25, 2009).

10.22 Form of Value Driver Incentive Award Agreement under the Fluor Corporation 2008 Executive Performance Incentive Plan (incorporated by reference to Exhibit 10.24 to the registrant s Quarterly Report on Form 10-Q filed on May 11, 2009).

10.23 Form of Stock Option Agreement under the Fluor Corporation 2008 Executive Performance Incentive Plan (incorporated by reference to Exhibit 10.25 to the registrant s Quarterly Report on Form 10-Q filed on May 11, 2009).

10.24 Form of Restricted Stock Unit Agreement under the Fluor Corporation 2008 Executive Performance Incentive Plan (incorporated by reference to Exhibit 10.26 to the registrant s Quarterly Report on Form 10-Q filed on May 11, 2009).

10.25 Form of Non-U.S. Stock Growth Incentive Award Agreement under the Fluor Corporation 2008 Executive Performance Incentive Plan (incorporated by reference to Exhibit 10.27 to the registrant s Quarterly Report on Form 10-Q filed on May 11, 2009).

10.26 Form of Stock Option Agreement (with double trigger change of control) under the Fluor Corporation 2008 Executive Performance Incentive Plan (incorporated by reference to Exhibit 10.28 to the registrant s Quarterly Report on Form 10-Q filed on May 10, 2010).

10.27 Form of Restricted Stock Unit Agreement (with double trigger change of control) under the Fluor Corporation 2008 Executive Performance Incentive Plan (incorporated by reference to Exhibit 10.29 to the registrant s Quarterly Report on Form 10-Q filed on May 10, 2010).

10.28 Form of Non-U.S. Stock Growth Incentive Award Agreement (with double trigger change of control) under the Fluor Corporation 2008 Executive Performance Incentive Plan (incorporated by reference to Exhibit 10.30 to the registrant s Quarterly Report on Form 10-Q filed on May 10, 2010).

10.29 Form of Restricted Unit Award Agreement under the Fluor Corporation 2000 Restricted Stock Plan for Non-Employee Directors (incorporated by reference to Exhibit 10.31 to the registrant s Quarterly Report on Form 10-Q filed on May 10, 2010).

10.30 Form of Restricted Stock Agreement under the Fluor Corporation 2000 Restricted Stock Plan for Non-Employee Directors (incorporated by reference to Exhibit 10.32 to the registrant s Quarterly Report on Form 10-Q filed on May 10, 2010).

10.31 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).

10.32 Letter of Credit Facility Agreement, dated September 16, 2009, among Fluor Corporation, BNP Paribas, as Administrative Agent and an Issuing Lender, and the lenders party thereto (including schedules and exhibits thereto).*

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 six months ended June 30, 2010 and 2009, (ii) the Condensed Consolidated Balance Sheet as of June 30, 2010 and December 31, 2009, and (iii) the Condensed Consolidated Statement of Cash Flows for the six months ended June 30, 2010 and 2009. Users of this data are advised pursuant to Rule 406T of Regulation S-T that this interactive data file is deemed not filed or part of a registration statement or prospectus for purposes of sections 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of section 18 of the Securities and Exchange Act of 1934, and otherwise is not subject to liability under these sections.

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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: July 27, 2010	/s/ D. Michael Steuert D. Michael Steuert Senior Vice President and Chief Financial Officer
Date: July 27, 2010	/s/ Gary G. Smalley Gary G. Smalley Vice President and Controller