FLUOR CORP
Form DEF 14A
March 11, 2014

Use these links to rapidly review the document
TABLE OF CONTENTS

Table of Contents

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

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant ý

Filed by a Party other than the Registrant o

Check the appropriate box:

o Preliminary Proxy Statement

o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

ý Definitive Proxy Statement

o Definitive Additional Materials

o Soliciting Material under §240.14a-12

FLUOR CORPORATION

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

ý No fee required.

o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

o Fee paid previously with preliminary materials.

o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

Table of Contents

Fluor Corporation
6700 Las Colinas Boulevard
Irving, Texas 75039

March 11, 2014

Dear Stockholder:

You are cordially invited to attend the Fluor Corporation 2014 annual meeting of stockholders. The meeting will be held on Thursday, May 1, 2014, beginning at 9:00 a.m. Central Daylight Time, at Fluor Corporation, 6700 Las Colinas Boulevard, Irving, Texas 75039. Information about the meeting is presented on the following pages. In addition to the formal items of business to be brought before the meeting, members of management will report on the company's operations and respond to stockholder questions. A map showing the meeting location is included for your convenience on the back page of this booklet.

We hope that you will be able to attend the meeting. However, whether or not you plan to attend the meeting, we encourage you to review our proxy materials and promptly cast your vote over the Internet or by telephone. Alternatively, if you request or receive a paper copy of the proxy materials by mail, you may vote by signing, dating and mailing the proxy card or voting instruction card in the envelope provided. Voting in one of these ways will ensure that your shares are represented at the meeting.

Thank you for your continued support of Fluor Corporation. I look forward to seeing you on May 1st.

Sincerely,

David T. Seaton
Chairman and Chief Executive Officer

Table of Contents

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To Be Held May 1, 2014

The annual meeting of stockholders of Fluor Corporation will be held at Fluor Corporation, 6700 Las Colinas Boulevard, Irving, Texas 75039, on Thursday, May 1, 2014, at 9:00 a.m. Central Daylight Time. At the meeting, our stockholders will consider and vote on the following matters:

1. The election of the thirteen directors named in the proxy statement to serve until the 2015 annual meeting of stockholders and until their respective successors are elected and qualified.

2. An advisory vote to approve the company's executive compensation.

3. The approval of the Fluor Corporation 2014 Restricted Stock Plan for Non-Employee Directors.

4. The ratification of the appointment by our Audit Committee of Ernst & Young LLP as independent registered public accounting firm for the fiscal year ending December 31, 2014.

5. If properly presented at the annual meeting, a stockholder proposal for an independent chairman.

6. Such other matters as may be properly presented at the meeting or any adjournment thereof.

All stockholders of record at the close of business on March 7, 2014 are entitled to receive notice of, and to vote at, the annual meeting. Stockholders are cordially invited to attend the meeting in person; however, regardless of whether you plan to attend the meeting in person, please cast your vote as instructed in the Notice Regarding the Availability of Proxy Materials (the "Notice"), by either voting your shares over the Internet or by phone, as promptly as possible. Alternatively, if you wish to receive paper copies of your proxy materials, including the proxy card or voting instruction card, please follow the instructions in the Notice. Once you receive paper copies of your proxy materials, please complete, sign, date and promptly return the proxy card or voting instruction card in the postage-prepaid return envelope provided, or follow the instructions set forth on the proxy card or voting instruction card to authorize the voting of your shares over the Internet or by telephone. Your prompt response is necessary to ensure that your shares are represented at the meeting.

By Order of the Board of Directors,

Carlos M. Hernandez
Executive Vice President, Chief Legal Officer
and Secretary

March 11, 2014
Irving, Texas

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Stockholders to be held on May 1, 2014: This proxy statement and the company's 2013 Annual Report to Stockholders are available at *www.proxyvote.com*.

Table of Contents

TABLE OF CONTENTS

	Page
Notice of Annual Meeting of Stockholders	
Proposal 1 Election of Directors	1
Biographical Information, including Experience, Qualifications, Attributes and Skills	2
Corporate Governance	9
Corporate Governance Highlights	9
Board Independence	9
Risk Management Oversight	10
Board Leadership	11
Lead Independent Director	12
Board of Directors Meetings and Committees	12
Consideration of Director Nominees	16
Certain Relationships and Related Transactions	17
Review and Approval of Transactions with Related Persons	17
Communications with the Board	18
Compensation Committee Interlocks and Insider Participation	18
Proposal 2 Advisory Vote to Approve Executive Compensation	19
Executive Compensation Compensation Discussion and Analysis	21
Organization and Compensation Committee Report	39
Summary Compensation Table	40
All Other Compensation	42
Grants of Plan-Based Awards in 2013	43
New Hire and Retention Agreements	45
Outstanding Equity Awards at 2013 Fiscal Year End	46
Option Exercises and Stock Vested in 2013	48
Pension Benefits	49
Nonqualified Deferred Compensation	50
Potential Payments Upon Termination or Change in Control	52
Director Compensation	57
Proposal 3 Approval of the Fluor Corporation 2014 Restricted Stock Plan for Non-Employee Directors	61
Equity Compensation Plan Information	66
Proposal 4 Ratification of Appointment of Independent Registered Public Accounting Firm	67
Report of the Audit Committee	69
Proposal 5 Stockholder Proposal for Independent Chairman	71
Stock Ownership and Stock-Based Holdings of Executive Officers and Directors	74
Stock Ownership of Certain Beneficial Owners	76
Section 16(a) Beneficial Ownership Reporting Compliance	76
Other Business	76
Additional Information	77
Questions and Answers About the Annual Meeting and Voting	79
Directions to the Fluor Corporation 2014 Annual Meeting of Stockholders	

Table of Contents

PROXY STATEMENT

March 11, 2014

This proxy statement is furnished in connection with the solicitation by the Board of Directors of Fluor Corporation (the "company" or "Fluor") of your proxy for use at the annual meeting of stockholders to be held at Fluor Corporation, 6700 Las Colinas Boulevard, Irving, Texas 75039, on Thursday, May 1, 2014, at 9:00 a.m. Central Daylight Time, or at any adjournment or postponement thereof (the "Annual Meeting"). This proxy statement is first being mailed or made available to stockholders on or about March 17, 2014.

The current mailing address of the principal executive offices of Fluor Corporation is 6700 Las Colinas Boulevard, Irving, Texas 75039. Please direct any communications to this mailing address.

PROPOSAL 1 ELECTION OF DIRECTORS

At the 2011 annual meeting of stockholders, the company's stockholders voted to phase out the classification of the Board and to provide instead for the annual election of directors. All directors will stand for annual election beginning with this Annual Meeting, as the declassification of the Board is complete.

Each of Peter K. Barker, Alan M. Bennett, Rosemary T. Berkery, Peter J. Fluor, James T. Hackett, Deborah D. McWhinney, Dean R. O'Hare, Armando J. Olivera, Joseph W. Prueher, Matthew K. Rose, David T. Seaton, Nader H. Sultan and Lynn C. Swann has been nominated for election at the Annual Meeting to serve a one-year term expiring at the annual meeting in 2015 and until his or her respective successor is elected and qualified.

Each of the nominees listed above has agreed to serve as a director of the company if elected. The company knows of no reason why the nominees would not be available for election or, if elected, would not be able to serve. If any of the nominees decline or are unable to serve as a nominee at the time of the Annual Meeting, the persons named as proxies may vote either (1) for a substitute nominee designated by the Board to fill the vacancy or (2) just for the remaining nominees, leaving a vacancy. Alternatively, the Board may reduce the size of the Board.

Under the standard applicable to the company's director elections, a director must receive the affirmative vote of a majority of the votes cast; except that directors shall be elected by a plurality of the votes cast if as of the record date for such meeting the number of director nominees exceeds the number of directors to be elected (a situation we do not anticipate). A majority of the votes cast means that the number of shares voted "for" a director nominee must exceed the number of shares voted "against" that director nominee. If an incumbent director is not re-elected, the Governance Committee will consider his or her contingent resignation given prior to the meeting and make a recommendation

to the Board on whether to accept or reject the resignation. The Board will then publicly announce its decision regarding whether to accept the resignation and, if not, the reasons why.

Biographical Information, including Experience, Qualifications, Attributes and Skills

The following biographical information is furnished with respect to each of the nominees for election at the Annual Meeting. The information presented includes information each director has given us about his or her age, all positions he or she holds with the company, his or her principal occupation and business experience for at least the past five years, and the names of other public companies of which he or she currently serves or has served as a director in the last five years. Directors are shown as serving from the dates of their original elections to the Board of Directors of Fluor prior to its reverse spin-off transaction in November 2000. Each of Mr. Kent Kresa and Dr. Suzanne Woolsey is retiring from the Board, effective April 29, 2014, and will not stand for reelection as they have reached the mandatory retirement age for directors. Mr. Matthew Rose has been elected to the Board, effective April 30, 2014. Accordingly, the Board has set the number of directors at thirteen, effective April 30, 2014.

As discussed further below under "Corporate Governance Consideration of Director Nominees," the Governance Committee is responsible for reviewing with the Board, on an annual basis, the appropriate skills and characteristics required of members of the Board in the context of the current make-up of the Board. The company's directors have experience with businesses that operate in industries in which the company operates, such as oil and gas, power and government contracting, or have particular skills that are beneficial to the company's business, such as knowledge of financial matters, risk oversight or compliance and familiarity with non-U.S. markets. The following information highlights the specific experience, qualifications, attributes and skills that our individual directors possess which have led the Governance Committee to conclude that each such individual should continue to serve on the company's Board.

PETER K. BARKER, age 65

Director Since: 2007

Board Committees: Audit and Governance

Independent: Yes

Position and Business Experience:

Former California Chairman of JPMorgan Chase & Co., a global financial services firm, from September 2009 until his retirement in January 2013; former Partner at Goldman Sachs & Co., a global investment banking firm, until his retirement in May 2002; joined Goldman Sachs & Co. in November 1971.

Key Attributes, Experience and Skills:

Mr. Barker's vast experience in international financial and banking matters at JPMorgan Chase and Goldman Sachs makes him a valued member of our Board and Audit Committee. His more than 40 years of experience allow him to share insights with the Board on matters such as capital structure, mergers, acquisitions, financings and strategic planning as well as with regard to general business trends and accounting and financial matters.

Other Board Service:

Director, Avery Dennison Corporation (Pasadena, California)

Director, Franklin Resources, Inc. (San Mateo, California)

Former director, GSC Investment Corp. (New York, New York)

Table of Contents

ALAN M. BENNETT, age 63

Position and Business Experience:

Former President and Chief Executive Officer of H&R Block, Inc., a publicly traded entity providing tax, banking and business and consulting services, from July 2010 until his retirement in May 2011; former Interim Chief Executive Officer of H&R Block, Inc. from November 2007 to August 2008; Senior Vice President and Chief Financial Officer of Aetna, Inc., a provider of health care benefits, from September 2001 to February 2007.

Key Attributes, Experience and Skills:

Mr. Bennett brings to the Board a deep understanding of business operations, finance and sales and marketing, developed through his experience as a former Chief Executive Officer, Chief Financial Officer and Vice President of Sales and Marketing. His leadership roles at H&R Block and Aetna provide the Board with valuable public company insights into business strategy and financial planning. In addition, he brings almost 40 years of experience in accounting and financial matters to our Audit Committee.

Director Since: 2011

Board Committee: Audit

Independent: Yes

Other Board Service:

Director, Halliburton Company (Houston, Texas)

Director, The TJX Companies, Inc. (Framingham, Massachusetts)

Former director, H&R Block, Inc. (Kansas City, Missouri)

ROSEMARY T. BERKERY, age 60

Position and Business Experience:

Vice Chairman of UBS Wealth Management Americas and Chairman of UBS Bank USA, each a wealth management banking business, since March 2010; former Vice Chairman, Executive Vice President and General Counsel of Merrill Lynch & Co., Inc., a global securities and financial services business, from October 2001 to December 2008; joined Merrill Lynch & Co., Inc. in 1983.

Key Attributes, Experience and Skills:

Ms. Berkery's broad range of experience in financial, business and legal matters makes her a valued member of the company's Board. Her experience leading a $40 billion wealth management bank allows her to provide valued counsel on matters such as finance, banking arrangements, global business strategies, marketing and market risks. In addition, her 35 years in the legal field make her an excellent resource to the Board and the Governance Committee on legal and compliance matters.

Director Since: 2010

Board Committee: Governance

Independent: Yes

Table of Contents

PETER J. FLUOR, age 66

Lead Independent Director

Director Since: 1984

Board Committees: Executive, Governance and Organization and Compensation (Chair)

Independent: Yes

Position and Business Experience:

Chairman and Chief Executive Officer of Texas Crude Energy, LLC, an international oil and gas exploration and production company, since 2001; President and Chief Executive Officer of Texas Crude Energy from 1980 to 2001; joined Texas Crude Energy in 1972.

Key Attributes, Experience and Skills:

Mr. Fluor has 40 years of experience in the energy industry, most recently as Chairman and Chief Executive Officer of Texas Crude Energy, LLC. His vast knowledge of the global oil and gas industry and his experience managing international businesses allow him to provide trusted counsel to our Board. In addition, his unique heritage and understanding of our company's legacy, together with his extensive knowledge of our business operations, clients and executives, make him an invaluable asset to our Board.

Other Board Service:

Director, Anadarko Petroleum Corporation (The Woodlands, Texas)

Director, Cameron International Corporation (Houston, Texas)

JAMES T. HACKETT, age 60

Director Since: 2001

Board Committees: Audit (Chair), Executive and Organization and Compensation

Independent: Yes

Position and Business Experience:

Partner, Riverstone Holdings LLC, an energy and power focused private investment firm, since June 2013; former Executive Chairman of Anadarko Petroleum Corporation, an independent oil and gas exploration and production company, from May 2012 until his retirement in June 2013; former Chief Executive Officer of Anadarko from December 2003 to May 2012.

Key Attributes, Experience and Skills:

Mr. Hackett has extensive knowledge of the global oil and gas industry based on his experience as a former executive of Anadarko Petroleum Corporation, Devon Energy and Ocean Energy. His several decades of executive experience, as well as his experience serving on other public company boards and as Chairman of the Board of the Federal Reserve Bank of Dallas, enable him to provide respected financial guidance, as well as perspective about the ever-evolving energy market from which we derive a substantial portion of our revenues.

Other Board Service:

Director, Bunge Limited (White Plains, New York)

Director, Cameron International Corporation (Houston, Texas)

Former director, Anadarko Petroleum Corporation (The Woodlands, Texas)

Former director, Halliburton Company (Houston, Texas)

DEBORAH D. MCWHINNEY, age 58

Position and Business Experience:

Former Chief Executive Officer and Chief Operating Officer of Global Enterprise Payments at Citi, a global financial services company, from February 2011 until her retirement in January 2014; former President, Personal Banking and Wealth Management at Citi from May 2009 to February 2011; former President of Schwab Institutional, a division of Charles Schwab, Inc., from 2001 to 2007, and chair of the Global Risk Committee of Charles Schwab from 2004-2007.

Key Attributes, Experience and Skills:

Ms. McWhinney's leadership experience, with more than 35 years in the finance industry, makes her a valued new member of our Board and Audit Committee. Her skills as a former executive for Citi and other banking institutions provide our Board with special insight on matters relating to business strategy, finance, investments and treasury management. In addition, her prior roles on the risk committees at both Citi and Charles Schwab allow her to counsel our Board on risk-related matters.

Director Since: 2014

Board Committee:
Audit

Independent: Yes

DEAN R. O'HARE, age 71

Position and Business Experience:

Former Chairman and Chief Executive Officer of The Chubb Corporation, the holding company for the Chubb Group of Insurance Companies, from June 1988 until his retirement in December 2002; joined The Chubb Corporation in 1963.

Key Attributes, Experience and Skills:

Mr. O'Hare's experience as the Chief Executive Officer of Chubb, a global insurance company in the Fortune 500, contributes significantly to our Board's oversight of risk, financial matters and international operations. His 40 years of experience with products that assist clients in managing exposure and minimizing risks allow him to provide insight to the Board on risk management, strategy and global operations. Additionally, his having served as a director of other global companies brings diverse knowledge to our Board.

Other Board Service:

Director, AGL Resources, Inc. (Atlanta, Georgia)

Former director, H.J. Heinz Company (Pittsburgh, Pennsylvania)

Director Since: 1997

Board Committees:
Executive, Governance (Chair) and Organization and Compensation

Independent: Yes

Table of Contents

ARMANDO J. OLIVERA, age 64

Position and Business Experience:

Former President (from June 2003) and Chief Executive Officer (from July 2008) of Florida Power & Light Company, an electric utility that is a subsidiary of a publicly traded energy company, until his retirement in May 2012; joined Florida Power & Light Company in 1972.

Key Attributes, Experience and Skills:

Mr. Olivera's tenure as the former President and CEO of one of the largest electric utilities in the United States provides him with extensive knowledge of financial and accounting matters, as well as a keen understanding of the power industry and its related regulations. His experience in the power industry provides valuable insight into one of our five business segments. Additionally, his role as a director of other public companies gives him the experience to provide valuable advice to our Board and its committees from a governance and risk perspective.

Director Since: 2012

Board Committee: Audit

Independent: Yes

Other Board Service:

Director, AGL Resources, Inc. (Atlanta, Georgia)

Director, Consolidated Edison, Inc. (New York, New York)

Former director, Florida Power & Light Company (Juno Beach, Florida)

Former director, Nicor Inc. (Naperville, Illinois)

JOSEPH W. PRUEHER, age 71

Position and Business Experience:

Former Schlesinger Professor, University of Virginia, from 2009 to August 2011; former Consulting Professor and Senior Advisor, Stanford University, from 2001 to 2008; U.S. Ambassador to the People's Republic of China from 1999 to 2001; Admiral, U.S. Navy (Retired), Commander-in-Chief of U.S. Pacific Command from 1996 to 1999.

Key Attributes, Experience and Skills:

Admiral Prueher has more than 40 years of experience in dealing with military, security, foreign policy and global business matters. He brings to the Board an international, informed and seasoned set of perspectives, a well-developed engineering background, and extensive expertise and insights on Asia and the Pacific and contracting with the U.S. government. Admiral Prueher strengthens our Board's ability to provide meaningful oversight and strategic guidance with regard to global operations, especially in relation to our Government business.

Director Since: 2003

Board Committees: Governance and Organization and

Compensation

Independent: Yes

Other Board Service:

Director, Armada Hoffler Properties, Inc. (Virginia Beach, Virginia)

Director, Emerson Electric Co. (St. Louis, Missouri)

Former director, Amerigroup Corporation (Virginia Beach, Virginia)

Former director, Bank of America Corporation (Charlotte, North Carolina)

Former director, DynCorp International Inc. (Falls Church, Virginia)

Former director, Merrill Lynch & Co., Inc. (New York, New York)

MATTHEW K. ROSE, age 54

Director Since: 2014

Board Committee: Audit

Independent: Yes

Position and Business Experience:

Executive Chairman, Burlington Northern Santa Fe, LLC, a subsidiary of Berkshire Hathaway Inc. (and former public company) and one of the largest freight rail systems in North America ("BNSF"), since December 2013; former Chairman and Chief Executive Officer of BNSF from March 2002 to January 2014; joined BNSF in 1993.

Key Attributes, Experience and Skills:

Mr. Rose's qualifications to serve on the Board include his extensive leadership experience obtained from overseeing a large, complex and highly regulated organization, his considerable knowledge of operations management and business strategy and his deep understanding of public company oversight. In addition, his experience serving on other public company boards, as well as the board of the Federal Reserve Bank of Dallas, make him a valuable new member of our Board and Audit Committee.

Other Board Service:

Director, AT&T Inc. (Dallas, Texas)

DAVID T. SEATON, age 52

Chairman of the Board

Director Since: 2011

Board Committee: Executive (Chair)

Independent: No

Position and Business Experience:

Chairman (since February 2012) and Chief Executive Officer (since February 2011) of Fluor; Chief Operating Officer from November 2009 to February 2011; Senior Group President, Energy and Chemicals, Power and Government from March 2009 to November 2009; Group President, Energy & Chemicals from March 2007 to March 2009; joined Fluor in 1985.

Key Attributes, Experience and Skills:

Mr. Seaton, the company's Chief Executive Officer, brings to the Board extensive leadership experience with, and knowledge of, the company's business and strategy, particularly in the energy and chemicals markets. He has worked (and lived) in many Fluor locations, including the Middle East, and provides insight to the Board on the company's global operations. Additionally, his almost 30 years of service with the company provide the Board with a historical perspective on the company's growth and operations.

Other Board Service:

Director, The Mosaic Company (Plymouth, Minnesota)

Table of Contents

NADER H. SULTAN, age 65

Position and Business Experience:

Senior Partner in F&N Consulting Company, a firm specializing in high level strategic advice related to the energy industry, since September 2004; former Chief Executive Officer of Kuwait Petroleum Corporation.

Key Attributes, Experience and Skills:

Mr. Sultan brings great insight and high-level strategic contributions to the Board as a result of his more than 40 years of experience in the international energy business, most recently as a chief executive officer running a national oil company in the Middle East. He provides a valued perspective with regard to national oil companies and the Middle East in terms of business operations, politics and culture. His views and understanding of the Middle East region are important since it is an area in which we are expanding our business presence and from which we have derived, and are continuing to derive, a portion of our revenues.

Director Since: 2009

Board Committees: Audit and Governance

Independent: Yes

Other Board Service:

Non-executive chairman of Ikarus Petroleum Industries Company (Kuwait)

LYNN C. SWANN, age 62

Position and Business Experience:

President, Swann, Inc., a marketing and consulting firm, since 1976; Founder and Managing Director of LS Group, a provider of financial advisory and brokerage services, since 2011; former sports broadcaster for ABC Sports from 1976 to 2006.

Key Attributes, Experience and Skills:

Mr. Swann's broad range of skills includes media and public relations experience, consumer awareness skills, finance knowledge, a diverse business and political background, and management-level decision-making experience. Those skills, along with the experience he has gained as a director of other large public companies, contribute significantly to the Board and the Audit Committee.

Director Since: 2013

Board Committee: Audit

Independent: Yes

Other Board Service:

Trustee, American Homes 4 Rent (Agoura Hills, California)

Director, Caesars Entertainment Corporation (Las Vegas, Nevada)

Former director, H.J. Heinz Company (Pittsburgh, Pennsylvania)

Board Recommendation

The Board of Directors recommends a vote FOR the election of all thirteen director nominees.

Table of Contents

CORPORATE GOVERNANCE

Corporate Governance Highlights

The company has long believed that good corporate governance practices promote the principles of fairness, transparency, accountability and responsibility and will help manage the company for the long-term benefit of its stockholders. During the past year, we continued to review our corporate governance policies and practices and to compare them to those suggested by various commentators on corporate governance and the practices of other public companies.

The following list highlights some of our more recent corporate governance initiatives and core governance values:

- ***Completing Transition to Declassified Board.*** We have completed the process of declassifying our Board, with all members to be elected on an annual basis beginning at this annual meeting.

- ***Granted Stockholders the Right to Call a Special Meeting.*** In 2012, our Board (with the approval of stockholders) amended our Certificate of Incorporation to grant holders of at least 25% of our outstanding shares of common stock the right to call a special meeting of stockholders.

- ***Removed Supermajority Provisions.*** We have removed supermajority voting provisions from our corporate governance documents and replaced them with majority voting provisions.

- ***Maintaining Director Independence.*** All directors, with the exception of our Chairman and CEO, are independent. We also have a Lead Independent Director who presides over executive sessions of the independent directors of the Board and approves agendas and schedules for Board meetings.

During 2013, our Board reviewed all committee charters and amended the charters for our Audit and Organization and Compensation Committees. The Board also updated the company's Corporate Governance Guidelines. You can access our current committee charters, Corporate Governance Guidelines, Code of Business Conduct and Ethics for Members of the Board of Directors, as well as other information regarding our corporate governance practices, on our website at *www.fluor.com* under "Sustainability" "Governance" "Corporate Governance Documents." Our Code of Business Conduct and Ethics for Fluor employees can be found on our website at *www.fluor.com* under "Sustainability" "Ethics and Compliance" "The Code."

Board Independence

In accordance with the New York Stock Exchange listing standards and our Corporate Governance Guidelines, our Board determines annually which directors are independent and, through the Governance Committee, oversees the independence of directors throughout the year. In addition to meeting the minimum standards of independence adopted by the New York Stock Exchange, a director qualifies as "independent" only if the Board affirmatively determines that the director has no material relationship with the company (either directly, or as a partner, stockholder or officer of an organization that has a relationship with the company). A relationship is "material" if, in the judgment of the Board, the relationship would interfere with the director's independent judgment.

Our Board has adopted director independence standards for assessing the independence of our directors. These criteria include restrictions on the nature and extent of any affiliations the directors and their immediate family members may have with us, our independent accountants, organizations with which we do business, other companies where our executive officers serve as compensation committee members and non-profit entities with which we have a relationship. Our independence

Table of Contents

standards are included in our Corporate Governance Guidelines, which are available on our website at *www.fluor.com* under the "Sustainability" "Governance" section.

The Board, as recommended by the Governance Committee, has determined that each of the company's current directors and director nominees (other than Mr. Seaton) are independent of the company and its management under New York Stock Exchange listing standards and the standards set forth in the Corporate Governance Guidelines. The Board also determined that each of the members of the Audit, Governance and Organization and Compensation Committees has no material relationship with Fluor and is independent within the meaning of the New York Stock Exchange listing standards and Fluor's director independence standards for such committee. This includes new heightened independence criteria applicable to members of the Organization and Compensation Committee under New York Stock Exchange listing standards, effective beginning with the Annual Meeting.

In making its independence determinations, the Board noted (i) with respect to Mr. Barker, his brother has retired from Fragomen, Del Rey, Bernsen and Loewy, LLP and (ii) with respect to Mr. Fluor, his brother was no longer employed by the company (or a subsidiary of the company) in 2013. As a result, no further review of those relationships is warranted. The Board also considered that Ms. Berkery is an employee (but not an executive officer) of UBS and that the payments made by the company to UBS for non-advisory fees, including bank account fees, lending fees and brokerage services, were less than $1.0 million in each of the last three years. In addition, the Board reviewed payments to PricewaterhouseCoopers ("PWC"), where Ms. Berkery's brother is a partner. With regard to PWC: (i) the fees paid to PWC in each of the last three years were less than .03% of such firm's revenues; (ii) Ms. Berkery's brother is one of over 9,500 partners and 180,000 employees at PWC; (iii) Ms. Berkery's brother does not personally provide services to the company or oversee others who provide such services; and (iv) the company hired PWC prior to Ms. Berkery joining the Board. In addition, it is important to note that Fluor, as a global corporation, and due to various securities regulations, utilizes multiple accounting firms for different kinds of services and, in fact, has retained each of the four major public accounting firms to provide various services during 2013. The Board does not believe that the company's use of PWC raises any independence concerns with regard to Ms. Berkery. The Board also considered that certain directors (Mr. Barker, Mr. Bennett, Mr. Fluor, Mr. Hackett, Admiral Prueher, Mr. Rose, Mr. Sultan and Dr. Woolsey) are board members of entities that did business with the company in 2013, 2012 and/or 2011. In each case noted above, the payments to or from any of the foregoing entities did not exceed the greater of $1 million or 2% of either Fluor's or such other entity's consolidated gross revenues for any one of the last three fiscal years, and therefore fell below the thresholds of the company's independence standards. The Board determined that Mr. Seaton is not independent under the New York Stock Exchange listing standards and our Corporate Governance Guidelines because of his employment as the Chief Executive Officer of the company.

Finally, the Board reviewed charitable contributions made to non-profit organizations for which Board members (or their respective spouses) serve as an employee or on the board of directors. Specifically, the Board considered that certain directors and/or their family members (Mr. Barker, Mr. Bennett, Ms. Berkery, Mr. Fluor, Mr. Hackett, Mr. Kresa, Mr. O'Hare, Mr. Rose and Dr. Woolsey) are affiliated with non-profit organizations that received contributions from the company in 2013, 2012 and/or 2011. No organization received contributions in a single year in excess of $100,000; and therefore these contributions fell below the thresholds of the company's independence standards.

Risk Management Oversight

As part of its oversight function, the Board monitors how management operates the company. When granting authority to management, approving strategies and receiving management reports, the Board considers, among other things, the risks and vulnerabilities the company faces. In addition, the

Table of Contents

Board discusses risks related to the company's business strategy at the Board's annual strategic planning meeting every June. The Board also delegates responsibility for the oversight of certain risks to the Board's committees.

Under the Audit Committee charter, the Audit Committee is responsible for reviewing and discussing with management the company's most significant risks, methods of risk assessment, risk mitigation strategies, and the overall effectiveness of the company's guidelines, policies and systems with respect to risk assessment and management. In particular, the Audit Committee considers risk issues associated with our overall financial reporting, disclosure process, legal matters, regulatory compliance and information technology, as well as accounting risk exposure and other operational and strategic risks. The Audit Committee is provided quarterly information on the geographic, operational and market risks facing our company. In carrying out its responsibilities related to risk oversight, the Audit Committee meets in executive sessions, at least quarterly, with the Chief Executive Officer, the Chief Financial Officer, the Chief Legal Officer, the Chief Compliance Officer, the head of internal audit and the independent registered public accounting firm to discuss particular risks facing the company.

The Organization and Compensation Committee is also tasked with certain elements of risk oversight. The Organization and Compensation Committee annually reviews the company's compensation policies and programs, as well as the mix and design of short-term and long-term compensation, to confirm that our compensation programs do not encourage unnecessary and excessive risk taking.

Finally, the Governance Committee is responsible for overseeing governance issues that may create governance risks, such as board composition, director selection and the other governance policies and practices that are critical to the success of the company. Each of the Audit, Governance and Organization and Compensation Committees report quarterly to the Board regarding the areas they oversee.

Board Leadership

The Chairman of the company's Board is elected by the Board on an annual basis. The Board, together with the Governance Committee, annually reviews the structure of the Board, and, as set forth in the company's Amended and Restated Bylaws and Corporate Governance Guidelines, the Board is empowered to choose any one of its members as Chairman of the Board. The Board has chosen Mr. Seaton, the company's Chief Executive Officer, to serve as the Chairman of the Board. The Board has determined that Mr. Seaton, the individual with primary responsibility for managing the company's day-to-day operations, is best positioned to chair regular Board meetings and to lead and facilitate discussions of key business and strategic issues. In his role as Chairman, Mr. Seaton presides over Board meetings, provides input on the agenda for each Board meeting and performs such other duties as the Board may request from time to time. However, the Board has also established a Lead Independent Director position, as it believes that the role of Lead Independent Director promotes effective governance when the company has a non-independent Chairman. As discussed below, the Lead Independent Director is elected every three years, and his or her duties are closely aligned with the role of an independent chairman. The Board believes that its current leadership structure provides independent Board leadership and engagement while also offering the benefits described above of having our Chief Executive Officer serve as Chairman.

In addition, each of the Audit, Governance and Organization and Compensation Committees is composed entirely of independent directors. Consequently, independent directors directly oversee critical matters such as the compensation policy for executive officers, succession planning, our methods of risk assessment and risk mitigation strategies, our corporate governance guidelines, policies and

Table of Contents

practices, the director nominations process, our corporate finance strategies and initiatives, and the integrity of our financial statements and internal controls over financial reporting.

Lead Independent Director

To provide for independent leadership, the Board has appointed a Lead Independent Director, whose primary responsibility is to preside over and set the agenda for all executive sessions of the independent directors of the Board. The Lead Independent Director also approves agendas and schedules for meetings of the Board and information sent to the Board, chairs Board meetings in the Chairman's absence, acts as a liaison between the independent directors and the Chairman, provides guidance on the director orientation process for new Board members, consults and communicates with stockholders, as appropriate, and monitors communications to the Board from stockholders and other interested parties. The Lead Independent Director also has the authority to call meetings of the independent directors, as needed. In 2012, the independent members of the Board designated Mr. Peter J. Fluor to serve in this position for a three-year term that expires in February 2015.

Board of Directors Meetings and Committees

During 2013, the Board held six meetings, one of which was an extensive two-day strategic planning session. Each of the directors attended more than 75% of the aggregate number of meetings of the Board and of the Board committees on which he or she served and which were held during the period that each director served.

As discussed earlier, the Lead Independent Director presides over all executive sessions of the independent directors. Executive sessions of independent directors must take place at least quarterly according to our Corporate Governance Guidelines. During 2013, five executive sessions of the independent directors were held.

A Board meeting immediately follows the annual meeting. The Board has a policy that directors attend the annual meeting of stockholders each year. All directors serving on the Board at that time attended the 2013 annual meeting of stockholders.

Our Board has four standing committees:

- Audit;
- Executive;
- Governance; and
- Organization and Compensation.

Each committee has a charter that has been approved by the Board. With the exception of the Executive Committee, each committee must review the appropriateness of its charter and perform a self-evaluation at least annually. Any recommended changes to the charters are then submitted to the Board for approval.

Table of Contents

Audit Committee Members:

Members	
James T. Hackett, *Chair**	Each of the directors who serves on the Audit Committee is independent within the meaning set forth in the Securities and Exchange Commission (SEC) regulations, New York Stock Exchange listing standards and our Corporate Governance Guidelines.
Peter K. Barker*	None of the Audit Committee members serve on the audit committees of more than two other public companies.
Alan M. Bennett*	*Audit Committee Financial Expert, as determined by the Board.
Kent Kresa*	Retiring effective April 29, 2014
Deborah D. McWhinney♦	♦ Effective February 19, 2014
Armando J. Olivera*	Effective April 30, 2014
Matthew K. Rose	
Nader H. Sultan	
Lynn C. Swann	
Suzanne H. Woolsey	

Meetings During Fiscal 2013: Five, including one to review the company's 2012 Annual Report, Form 10-K and proxy materials for the 2013 annual meeting. At the end of each of the four regular meetings of the committee, the members of the Audit Committee met privately with the company's independent registered public accounting firm, and also met with the company's head of internal audit and other members of management.

Key Responsibilities: The responsibilities of the Audit Committee and its activities during 2013 are described in the "Report of the Audit Committee" section of this proxy statement on page 69.

Executive Committee

Members:

The Executive Committee consists of the Chairman of the Board and the Chairs of each of the Board committees.

David T. Seaton, *Chair*

Peter J. Fluor

James T. Hackett

Dean R. O'Hare

Meetings During Fiscal 2013: One, to discuss director evaluations

Key Responsibilities: When the Board is not in session, the Executive Committee has all of the power and authority of the Board, subject to applicable laws, rules, regulations and listing standards of the New York Stock Exchange.

Governance Committee Members:

Each of the members of the Governance Committee is independent within the meaning set forth in the NYSE listing standards and our Corporate Governance Guidelines.

Dean R. O'Hare, *Chair*

Peter K. Barker

Rosemary T. Berkery

Peter J. Fluor

Joseph W. Prueher

Nader H. Sultan

Suzanne H. Woolsey

Meetings During Fiscal 2013: Four

Key Responsibilities: The Governance Committee's primary responsibilities, which are discussed in detail within its charter, are to:

identify qualified candidates to be nominated for election to the Board and directors qualified to serve on the Board's committees;

develop, review and evaluate background information for any candidates for the Board, including those recommended by stockholders, and make recommendations to the Board regarding such candidates. For information relating to nominations of directors by our stockholders, see " Consideration of Director Nominees" below;

oversee the independence of directors;

develop, implement, monitor and oversee policies and practices relating to corporate governance, including the company's Corporate Governance Guidelines and Code of Business Conduct and Ethics for Members of the Board of Directors; and

oversee the annual evaluation of the Board and the committees of the Board.

The Governance Committee has the authority, under its charter, to engage, retain and terminate the services of outside legal counsel, search firms and other advisors.

Organization and Compensation Committee Members:

Each of the members of the Organization and Compensation Committee is independent within the meaning of the NYSE listing standards and our Corporate Governance Guidelines.

Peter J. Fluor, *Chair*

James T. Hackett

Kent Kresa

Dean R. O'Hare

Joseph W. Prueher

Meetings During Fiscal 2013: Five. Each of the four in-person meetings included an executive session attended by the committee members and the committee's independent compensation advisor.

Key Responsibilities: The Organization and Compensation Committee's primary responsibilities, which are discussed in detail within its charter, are to:

- review and monitor the company's top level organizational structure and senior management succession planning and recommend the appointment of corporate officers and group executive officers of the company's principal operating units;
- review and approve compensation strategy, set corporate goals and objectives relevant to the Chief Executive Officer, corporate officers and group executive officers, evaluate the achievement of these goals and set or, in the case of the Chief Executive Officer recommend to the independent directors, compensation levels;
- establish the base salary, incentive compensation and other compensation for the company's named executives other than the Chief Executive Officer, and review and recommend to the Board the compensation of the Chief Executive Officer; and
- review the compensation for non-management directors.

The responsibilities of our Organization and Compensation Committee and its activities during 2013 are further described in the "Compensation Discussion and Analysis" section of this proxy statement. The Organization and Compensation Committee has the authority under its charter to delegate any portion of its responsibilities to a subcommittee denominated by it when appropriate, but did not do so in 2013.

Compensation Consultant: The Organization and Compensation Committee has the authority under its charter to engage, retain and terminate the services of outside legal counsel, compensation consultants and other advisors. In 2013, the Organization and Compensation Committee again engaged Frederic W. Cook & Co., Inc. to serve as its independent compensation consultant to advise the committee on all matters related to executive and director compensation. The compensation consultant conducts an annual review of the total compensation program for the Chief Executive Officer and other senior management reporting to him and, in doing so, completes a report benchmarking the senior executives against other executives with similar responsibilities in order to assist the Organization and Compensation Committee in making compensation decisions. The 2013 compensation review

provided the committee with relevant market data and alternatives to consider when making compensation decisions in 2013 for the Chief Executive Officer and other senior management reporting to him.

Table of Contents

Organization and Compensation Committee, *Continued*

In early 2014, as part of the committee's oversight of certain aspects of risk, the compensation consultant conducted a broad-based review of the company's compensation programs and policies and discussed its findings with the committee, indicating that the company's compensation programs do not encourage behaviors that would create material risk for the company. Frederic W. Cook & Co., Inc. also provided written and verbal advice to the Organization and Compensation Committee at committee meetings, attended executive sessions of the committee to respond to questions, and had individual calls and meetings with the Chair of the committee to provide advice and perspective on executive compensation issues. Frederic W. Cook & Co., Inc. was engaged by, and reports directly to, the committee and does not perform any other services for the company. None of the work of the compensation consultant has raised any conflicts of interest.

Consideration of Director Nominees

Director Qualifications and Diversity

The Board of Directors believes that the Board, as a whole, should include individuals with a diverse range of backgrounds and experience to give the Board both depth and breadth in the mix of skills represented for the benefit of our stockholders. As provided in our Corporate Governance Guidelines, while all directors should possess business acumen and must exercise sound judgment in their oversight of our operations, the Board endeavors to include in its overall composition an array of targeted skills that complement one another rather than requiring each director to possess the same skills, perspective and interests. Accordingly, the Board and Governance Committee consider the qualifications of directors and director nominees both individually and in the broader context of the Board's overall composition and the company's current and future needs.

Our Corporate Governance Guidelines contain Board membership criteria that apply to current directors as well as nominees for director. The Governance Committee is responsible for reviewing with the Board on an annual basis (and as needed) the appropriate skills and characteristics required of Board members in the context of the current make-up of the Board. This annual review takes into consideration issues of diversity of thought and background (including gender, race, ethnicity and age), experience, qualifications, attributes and skills. Certain criteria that our Board looks for in a candidate include, among other things, an individual's business experience and skills, judgment, independence, integrity, reputation and international background, the individual's understanding of such areas as finance, marketing, information technology, regulation and public policy, whether the individual has the ability to commit sufficient time and attention to the activities of the Board and the absence of any potential conflicts with the company's interests. The Board assesses its effectiveness in achieving these goals in the course of assessing director candidates, which is an ongoing process.

Identifying and Evaluating Nominees for Director

The Governance Committee utilizes a variety of methods for identifying and evaluating nominees for director. The Governance Committee regularly assesses the appropriate size of the Board, and whether any vacancies on the Board are expected due to retirement or otherwise. In the event that vacancies are anticipated or otherwise arise, the Governance Committee considers various potential candidates for director. Candidates may come to the attention of the Governance Committee through various means, including current Board members, professional search firms, stockholders or other persons. Candidates are evaluated at meetings of the Governance Committee, and may be considered at any point during the year. As described below, the Governance Committee considers properly submitted stockholder recommendations for candidates for the Board. If a stockholder properly

recommends an individual to the Governance Committee to serve as a director, all recommendations are aggregated and considered by the Governance Committee at a meeting prior to the issuance of the proxy statement for our Annual Meeting. Any materials provided by a stockholder in connection with the recommendation of a director candidate are forwarded to the Governance Committee, which will consider the recommended candidate in light of the director qualifications discussed above and the Board's existing composition. The Governance Committee also reviews materials provided by professional search firms, if applicable, or other parties in connection with a candidate who is not proposed by a stockholder. In evaluating such recommendations, the Governance Committee seeks to achieve a balance of knowledge, experience and capability on the Board.

Ms. McWhinney, Mr. Rose and Mr. Swann were each recommended for nomination as a board member by one of the Board's independent directors.

Stockholder Recommendations

The policy of the Governance Committee is to consider properly submitted stockholder recommendations for candidates for membership on the Board as described above under " Identifying and Evaluating Nominees for Director." In evaluating those recommendations, the Governance Committee seeks to achieve a balance of knowledge, experience and capability on the Board and to address the membership criteria set forth under " Director Qualifications and Diversity" above. Any stockholder wishing to recommend a candidate for consideration by the Governance Committee should submit a recommendation in writing indicating the candidate's qualifications and other relevant biographical information and provide confirmation of the candidate's consent to serve as director. This information should be addressed to Carlos M. Hernandez, Chief Legal Officer and Secretary, Fluor Corporation, 6700 Las Colinas Boulevard, Irving, Texas 75039. In addition, our Amended and Restated Bylaws permit stockholders to nominate directors for election. See "Additional Information Advance Notice Procedures" on pages 77-78 of this proxy statement, and Section 2.04 of our Amended and Restated Bylaws, which are included on our website at *www.fluor.com* under "Sustainability" "Governance."

Certain Relationships and Related Transactions

The company is not aware of any transactions with related persons that would be required to be disclosed.

Review and Approval of Transactions with Related Persons

The company has adopted a written policy for the approval of transactions to which the company is a party and the aggregate amount involved in the transaction will or may be expected to exceed $100,000 in any calendar year if any director, director nominee, executive officer, greater-than-5% beneficial owner or their respective immediate family members have or will have a direct or indirect material interest (other than solely as a result of being a director or a less than 10% beneficial owner of another entity).

The policy provides that the Governance Committee reviews certain transactions subject to the policy and determines whether or not to approve or ratify those transactions. In doing so, the Committee takes into account, among other factors it deems appropriate, whether the transaction is on terms that are no less favorable to the company than terms generally available to an unaffiliated third party under the same or similar circumstances and the extent of the related person's interest in the transaction. In addition, the Board has delegated authority to the Chair of the Governance Committee to pre-approve or ratify transactions where the aggregate amount involved is expected to be less than $1,000,000. A summary of any new transactions pre-approved by the Chair is provided to the full

Table of Contents

Governance Committee for its review in connection with each regularly scheduled Governance Committee meeting.

The Governance Committee has considered and adopted standing pre-approvals under the policy for limited transactions with related persons. Pre-approved transactions include, but are not limited to:

- employment of immediate family members of directors, director nominees, executive officers and greater-than-5% beneficial owners in non-executive positions with the company;
- business transactions with other companies at which a related person's only relationship is as an employee (other than an executive officer) if the amount of business falls below the thresholds in the New York Stock Exchange's listing standards and the company's director independence standards; and
- contributions to non-profit organizations at which a related person's only relationship is as an employee (other than an executive officer) or director if the aggregate amount involved does not exceed the lesser of $1 million or 2% of the organization's consolidated gross annual revenues.

At least annually, a summary of new transactions covered by the standing pre-approvals described above is provided to the Governance Committee for its review.

Communications with the Board

Individuals may communicate with the Board and individual directors by writing directly to the Board of Directors c/o Carlos M. Hernandez, Chief Legal Officer and Secretary, Fluor Corporation, 6700 Las Colinas Boulevard, Irving, Texas 75039. Stockholders and other parties interested in communicating directly with the Lead Independent Director or with the independent directors as a group may do so by writing directly to the Lead Independent Director c/o the Chief Legal Officer and Secretary at the above address. The Lead Independent Director will, with the assistance of Fluor's internal legal counsel, be primarily responsible for monitoring any such communications from stockholders and other interested parties to the Board, individual directors, the Lead Independent Director or the independent directors as a group, and provide copies or summaries of such communications to the other directors as he considers appropriate.

Communications will be forwarded to all directors if they relate to substantive matters and include suggestions or comments that the Lead Independent Director considers to be important for the directors to know. The Board will give appropriate attention to written communications on issues that are submitted by stockholders and other interested parties, and will respond if and as appropriate.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

During 2013, Mr. Fluor, Mr. Hackett, Mr. Kresa, Mr. O'Hare and Admiral Prueher served on the Organization and Compensation Committee. There are no compensation committee interlocks between the company and other entities involving the company's executive officers and directors.

Table of Contents

PROPOSAL 2 ADVISORY VOTE TO APPROVE EXECUTIVE COMPENSATION

We are asking stockholders to vote on an advisory resolution to approve the company's executive compensation as reported in this proxy statement. As described below in the "Compensation Discussion and Analysis" section of this proxy statement, the Organization and Compensation Committee has structured our executive compensation program to achieve the following key objectives that contribute to the company's long-term success:

Key Objective	Achievement of the Objective
Align Named Executives with Stockholders	Annual and long-term incentive programs reward named executives for achievement of short- and long-term goals that enhance stockholder value.
	Between 55% and 75% of named executive target direct compensation is equity-based.
	Named executives are expected to hold company shares or units with a value between two and six times their base salary and are prohibited from hedging or pledging company securities.
Pay for Performance	85% to 90% of annual incentive for named executives is tied to company performance, including corporate measures such as net earnings, return on assets employed and business segment performance.
	Long-term incentive payouts under our Value Driver Incentive Program are tied to the company's new awards and related margins, historically considered a key driver for stockholder returns, and also are directly related to the stock price at vesting.
Attract and Retain Top Talent	Total compensation for named executives is targeted at the 50th percentile of the peer group.

We urge stockholders to read the "Compensation Discussion and Analysis" beginning on page 21, which describes in more detail how our executive compensation policies and procedures operate and are designed to achieve our compensation objectives, as well as the Summary Compensation Table and related compensation tables and narrative appearing on pages 40 through 56, which provide detailed information on the compensation of our named executives. The Organization and Compensation Committee and the Board of Directors believe that the policies and procedures articulated in the "Compensation Discussion and Analysis" are effective in achieving our goals and that the compensation of our named executives reported in this proxy statement has supported and contributed to the company's success.

In accordance with Section 14A of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and as a matter of good corporate governance, we are asking stockholders to approve the following advisory resolution at the Annual Meeting:

RESOLVED, that the stockholders of Fluor Corporation (the "Company") approve, on an advisory basis, the compensation of the Company's named executives as disclosed pursuant to the compensation disclosure rules of the Securities and Exchange Commission in the Compensation Discussion and Analysis, the Summary Compensation Table and the related compensation tables and narrative in the Proxy Statement for the Company's 2014 Annual Meeting of Stockholders.

Table of Contents

This advisory resolution, commonly referred to as a "say on pay" resolution, is non-binding on the Board. Although non-binding, the Board and the Organization and Compensation Committee will review and consider the voting results when evaluating our executive compensation program. An advisory stockholder vote on the frequency of stockholder votes to approve executive compensation is required to be held at least once every six years. The company last held an advisory vote on frequency in 2011. After consideration of the vote of stockholders at the 2011 annual meeting of stockholders and other factors, the Board has decided to hold advisory votes to approve executive compensation annually until the next advisory vote on frequency occurs. Accordingly, the next advisory vote to approve executive compensation will be held at the 2015 annual meeting of stockholders.

Board Recommendation

The Board of Directors recommends a vote FOR the approval of the advisory resolution to approve executive compensation.

Table of Contents

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

This Compensation Discussion and Analysis describes the principles, objectives and features of our executive compensation program, as applied to our named executives. For 2013, our named executives were our Chairman and Chief Executive Officer, our Chief Financial Officer and the other three individuals included in the Summary Compensation Table on page 40.

Executive Summary

Factors Influencing Named Executive Compensation

To assist our stockholders in evaluating our "say on pay" proposal, the following is an overview of the key factors that influence the design of our executive compensation program:

Appropriate Peer Group. To establish compensation for our named executives that aligns with the market, we benchmark our compensation and performance against the companies in our peer group. Since there are only seven publicly-traded engineering and construction companies with revenues over $5.0 billion, the largest of which has revenues less than half our revenues, we must look beyond our industry to find an appropriate peer group. We believe the correct peer group consists of U.S. companies in the same three Standard & Poor's Global Industry Classification Standard (GICS) codes as the company, our direct competitors and our key customers and that are also generally comparable in revenues, number of employees and market capitalization (our "Compensation Peer Group"). As a result, we are able to set compensation at levels that are not only appropriate for a company of our size, but also allow us to attract and retain key talent within our industry.

Target Total Direct Compensation at 50th Percentile. Using our Compensation Peer Group, the compensation consultant engaged by the Organization and Compensation Committee performs an annual proxy analysis to identify the 50th percentile of target total direct compensation (which includes base pay, bonus targets and long-term incentive values at the time of grant). In 2013, the target total direct compensation for our CEO approximated the Compensation Peer Group median.

Performance Measures That Drive Business Goals and Stockholder Return. Our compensation program rewards achievement of a variety of measures, including corporate financial performance (*e.g.*, net earnings and return on assets employed), safety, new awards gross margin and individual performance goals. This variety provides the company a means to drive multiple short- and long-term goals, including goals that are tied to stock price growth, and to provide a balanced compensation package for our executives that encourages them to focus on the overall health of the company and not on any one measure.

Performance-Driven Long-Term Incentive Awards. Stock-based awards granted under our Value Driver Incentive ("VDI") program are increased or decreased at the end of the performance period based on the achievement of targets related to new awards gross margin. In addition, awards are designated as performance units, the value of which fluctuates with the stock price over the performance period and subsequent vesting periods. Approximately 25% of our Chief Executive Officer's target compensation is driven by new awards gross margin, which historically has been a key contributor to stockholder return.

Substantial Stock-Based Compensation. Since stock price performance in the long term is one of the best indicators of the performance of our company, we deliver most of our executive compensation in the form of stock incentives (*e.g.*, approximately 75% of our Chief Executive Officer's target total direct compensation is stock-based). As such, if our stock price declines, the value of stock incentives held by executives declines as well.

Table of Contents

2013 Company Performance. In 2013, net earnings attributable to Fluor were $668 million, up substantially from $456 million a year ago. New awards and revenue remained strong, and the company delivered a total shareholder return of approximately 38% for 2013. The chart below summarizes some of the key company financial results for fiscal 2013 compared to 2012. For a full description of the company's results, please see the company's Form 10-K filed with the Securities and Exchange Commission on February 18, 2014.

Financial Measure	Fiscal Year Ended December 31, 2013	Fiscal Year Ended December 31, 2012
	(dollars in millions)	
Net Earnings Attributable to Fluor	$667.7	$456.3
Return on Operating Assets Employed	22.6%	16.6%
Revenue	$27,352	$27,577
New Awards	$25,086	$27,129
Backlog	$34,907	$38,199
Total Shareholder Return	38%	18%

Pay for Performance and CEO Compensation

As noted above, our compensation programs reward achievement of a variety of measures.

In 2013, annual incentive payments reflected strong earnings and return on operating assets employed (ROAE) performance at target levels, with annual incentive payments for 2013 being higher than those made for 2012 performance, when the company's performance against the applicable measures was not as strong as 2013 performance against those measures.

Long-term business prospects, as measured by new awards, remain strong and our named executives received VDI payments that were above target (although slightly lower than those made in 2012) to reflect their performance against the new awards gross margin measures.

In light of these results, total direct compensation for our CEO increased from the prior year, with his total direct compensation approximating the peer group median for target total direct compensation.

Actual cash compensation and actual total direct compensation for our CEO for 2013, as compared to (i) his actual compensation for 2012, (ii) his target compensation for 2013 and (iii) the target peer group median (as of our latest compensation review in August 2013), is illustrated below.

CEO Compensation vs. Target Peer Group Median

Cash Compensation
(in thousands)

Total Direct Compensation
(in thousands)

(1) Does not include the amount of the retention award granted in 2008, which vested in 2013.

Table of Contents

How Named Executive Compensation is Tied to Performance

We use a balanced approach to compensation, with total direct compensation ("TDC") consisting of a variety of pay elements designed with different links to performance as described in the table below:

Component	Primary Purpose	Linkage to Performance	Percent of CEO Target TDC
Base Salary	Provides a market competitive, stable level of income to attract and retain highly qualified executives	> Based on individual experience, performance, organizational responsibility and overall salary movements in the industry, the Board or the Organization & Compensation Committee, as applicable, determines an appropriate salary adjustment each year	11%
Annual Incentive Award	Provides annual cash compensation for performance of measures that drive long-term company value: Net Earnings Return on Operating Assets Employed Safety Strategic Operating Objectives	> Annual forecasts on net earnings and other factors are made at the beginning of each fiscal year, and are used as the target achievement levels in the annual incentive plan > The annual incentive is completely at risk, depending on the level of performance against the criteria	14%
Long-Term Incentives	*Value Driver Incentive Performance Units* Provide a stock-based long-term retention vehicle that is linked to gross margin associated with new awards, which contributes to backlog, a factor we historically have considered to have a high correlation with stockholder value creation	> Forecasts for new awards gross margin are made at the beginning of each year, and performance units are earned based on the extent to which those expectations are met >	25%

	The performance units vest over three years, with the value increasing or decreasing with the stock price over both the performance period and vesting periods	
	> The incentive is completely at risk, depending on the performance against the relevant measures (and the stock price)	
Stock Options Provide a long-term retention vehicle that is directly linked to stockholder value creation over time	> Stock options attain value only if the stock price grows over the initial grant price	25%
Restricted Stock Units Provide a long-term retention vehicle that is directly linked to stock price	> Restricted stock units vest over time, and as such the value to the executive increases or decreases with the stock price performance over the vesting period	25%

Table of Contents

Compensation Actions for 2013

The Organization and Compensation Committee (the "Committee") took the following actions with respect to executive compensation for 2013:

- Recommended raising target compensation levels for Mr. Seaton so that his compensation approximated the median compensation for chief executive officers in our Compensation Peer Group;
- Increased base salary levels for the named executives between 3.0% and 11.1% to compensate them for their experience and organizational responsibility and to keep them in line with market compensation for similarly situated executives;
- Approved annual incentive award cash payouts that reflected performance that met target financial and certain other operational goals, with payouts higher than those made for 2012; and
- Approved VDI payouts to reflect above-target company performance of the relevant new awards margin measures in 2013.

Corporate Governance Highlights

Our policies regarding executive compensation reflect our strong focus on sound corporate governance. In particular,

- our change in control agreements are governed by double trigger arrangements and do not provide for tax gross-ups;
- our performance-based compensation arrangements are tied to business metrics that we use in discussing our financial and operating results with our investors and analysts;
- we have robust stock ownership guidelines and require named executives to retain 100% of the net shares received from equity awards to the extent the guidelines are not met;
- we have a clawback policy for performance-based compensation;
- repricing of stock options is not allowed without stockholder approval;
- our policies prohibit hedging, pledging and short-term trading of company common stock;
- payment of dividends or dividend equivalents on unearned performance awards is prohibited;
- we use an outside independent consultant to advise on all executive compensation matters as noted earlier on pages 15-16; and
- we conduct and consider the results of compensation risk management assessments on an annual basis.

Components of 2013 Named Executive Compensation

Base Salary

The company provides named executives with base salaries that provide a competitive, stable level of income, since most other elements of their compensation are at risk based on company or stock performance. In determining base salaries for positions held by named executives, the Committee generally targets the 50th percentile for similar types of executives within the Compensation Peer Group. Base salaries may deviate from the 50th percentile to attract key talent and for named executives with varying levels of experience or specialized duties or skill sets. The Committee reviews base salaries for named executives annually and upon a change in responsibilities.

Table of Contents

In evaluating the Chief Executive Officer's base salary and his recommendations for the base salaries of the other named executives, the Committee considered the following factors during its 2013 annual review:

- the Compensation Peer Group data and other general industry survey data for comparable positions;
- individual level of responsibility, performance and contributions to the company;
- internal pay equity based on relative duties and responsibilities;
- the company's 2013 salary budget; and
- the Board's evaluation of the Chief Executive Officer's performance and the Chief Executive Officer's feedback on the other named executives' performance.

Based on these considerations, the Committee increased base salaries for 2013 between 3.0% and 11.1%, with a particular focus on providing salaries that approximate the 50th percentile of base pay for similarly situated executives in the Compensation Peer Group. The base salaries for the named executives (following the salary increases), as compared to the median, were as shown below:

Named Executive	2013 Base Salary	Compensation Peer Group Median Salary(1)
David T. Seaton	$1,200,000	$1,270,000
Biggs C. Porter	$793,000	$658,000
Stephen B. Dobbs	$623,000	$652,000
David R. Dunning	$500,000	$577,000
Carlos M. Hernandez	$588,000	$593,000

(1) Information is as of our latest compensation review in August 2013 and is based on public filings up to and including June 30, 2013.

For 2013, the base salaries for Mr. Seaton, Mr. Dobbs and Mr. Hernandez were at approximately the 50th percentile of the Compensation Peer Group. Mr. Porter's base salary was between the median and top quartile of chief financial officers within the Compensation Peer Group, reflecting his years of experience in various finance positions (including chief financial officer) and our efforts to attract him to the company. Mr. Dunning's base salary was below the median, reflecting his relatively recent promotion to his position.

Annual Incentive Awards

Cash-based annual incentives are provided to reward named executives for performance during the year. Each named executive participates in the Fluor Corporation 2008 Executive Performance Incentive Plan (as amended and restated in 2013, the "Performance Plan") and is provided with a target annual incentive amount, based on a percentage of his annual base salary. This percentage reflects the executive's respective organizational level, position and responsibility for achievement of the company's strategic goals. For 2013, all named executives were provided an annual incentive target percentage of base salary that approximated the 50th percentile of target annual incentive award percentages for executives with similar job responsibilities within the Compensation Peer Group.

Table of Contents

The target annual incentives for 2013 for each named executive were as follows:

Named Executive	Percentage of Base Salary	Target Annual Incentive Amount
David T. Seaton	130%	$1,560,000
Biggs C. Porter	85%	$674,100
Stephen B. Dobbs	85%	$529,600
David R. Dunning	85%	$425,000
Carlos M. Hernandez	85%	$499,800

A named executive may receive more or less than the target annual incentive amount, depending on whether he meets, fails to meet or exceeds certain performance measures relating to overall company performance, the individual's own performance and, for Mr. Dobbs, the performance of his group during the year. The types of measures and relative weight of those measures are determined by the Committee each year and are tailored to the named executive's position and organizational responsibility. The performance measures have remained fairly consistent over the past five years, but the Committee has adjusted their relative weightings from time to time to reflect the Committee's emphasis on particular goals.

When making its determination regarding performance measures, the Committee considers the company's annual operating plan and strategic priorities, as well as the company's performance in the previous year. The discretionary individual performance measure is subjective; and no targets are set for this measure. The other measures for each named executive are objective. The use of multiple financial goals prevents an overemphasis on any one financial metric; and the other metrics assist in focusing executives on key areas of importance to the company. The measures, along with their respective weightings, for each named executive were as follows:

2013 Measure	David T. Seaton	Biggs C. Porter	Stephen B. Dobbs	David R. Dunning	Carlos M. Hernandez
Corporate Net Earnings	50%	45%	35%	45%	45%
Corporate Return on Operating Assets Employed (ROAE)	30%	30%	20%	30%	30%
Corporate Safety					
Days Away from Work Incidence Rate	3%	3%	3%	3%	3%
Total Recordable Case Incidence Rate	3%	3%	3%	3%	3%
HSE Corporate Audit Score	4%	4%	4%	4%	4%
Industrial & Infrastructure Group Segment Profit			20%		
Discretionary Individual Performance	10%	15%	15%	15%	15%

Determination of Performance Measures for 2013

Corporate net earnings ties to the amount set forth in our financial statements but may be adjusted at the discretion of the Committee for extraordinary non-operating events. Corporate ROAE is calculated by dividing full year corporate net earnings (excluding after-tax interest expense) by net assets employed. Net assets employed is defined as total assets (excluding excess cash and current and non-current marketable securities) minus current liabilities (excluding non-recourse debt) and is

Table of Contents

calculated based on average net assets reported for the previous five quarters. No adjustments were made to these measures for purposes of 2013 compensation decisions.

Corporate safety includes three distinct measures: Fluor's days away from work incidence rate, Fluor's total recordable case incidence rate and Fluor's health, safety and environmental (HSE) corporate audit score. Fluor's days away from work incidence rate is defined as a work-related injury or illness that involves days away from work beyond the day of injury or onset of the illness. Fluor's total recordable case incidence rate is defined as a work-related injury or illness that results in one or more of the following: days away from work, restricted work or transfer to another job, medical treatment beyond first aid, loss of consciousness, a significant injury or illness diagnosed by a physician or other licensed health care professional, or death. Incidence rates for both measures represent the number of recordable cases per 100 full-time workers (working 40 hours per week, 50 weeks per year), and are calculated using the following equation:

Fluor's HSE corporate audit score measures Fluor's performance of approximately 80 leading indicators in the critical areas that drive performance and safety on our projects. Each indicator is given a score by the HSE corporate audit team based on project performance, with the overall score being the average of the scores for all indicators across audited projects.

Group segment profit is reported in our financial statements on page F-45 of our annual report on Form 10-K as filed with the Securities and Exchange Commission on February 18, 2014. Segment profit is calculated as revenue less cost of revenue and earnings attributable to noncontrolling interests excluding: corporate administrative and general expense; interest expense; interest income; domestic and foreign income taxes; and other non-operating income and expense items. A group's segment profit measure can be adjusted at the discretion of the Committee for extraordinary non-operating events. No adjustments were made to this measure in 2013 for purposes of compensation decisions.

For all named executives other than the Chief Executive Officer, the discretionary individual measure is given a rating based on subjective evaluations and recommendations by the Chief Executive Officer. In the case of the Chief Executive Officer, individual performance is assessed by the independent directors of the Board.

Annual Incentive Performance for 2013

The overall level of achievement of the targets in 2013 was higher than last year, with each financial performance measure higher than 2012 performance, and the safety measures on par with 2012 performance. The 2013 performance ranges established in February 2013 for each of the measures applicable to our named executives, together with the actual achievement amounts for such measures, are presented below. In setting the 2013 performance ranges for each measure, the Committee took into account our business strategy as well as the economic outlook at the beginning of the fiscal year, in order to provide meaningful targets for the named executives.

The company's performance for 2013 varied with respect to each corporate measure. Both corporate net earnings and ROAE approximated target performance. With respect to the corporate safety measures, the days away from work incidence rate achieved minimum performance while the total recordable case incidence rate and HSE corporate audit score were between upper target and

Table of Contents

maximum performance. Industrial & Infrastructure group segment profit was between upper target and maximum performance.

Measure (dollars in millions)	2013 Actual Achievement	Minimum (.25/.50 rating)[1]	Target (1.0 rating)	Upper Target (1.5 rating)	Maximum (2.0 rating)
Net Earnings Attributable to Fluor	$667.7	$465.9	$665.5[2]	$725.4	$765.3
Corporate ROAE	22.6%	15.5%	22.2%[2]	24.2%	25.5%
Corporate Safety					
Days Away from Work Incidence Rate	.07	.07	.05	.04	.03
Total Recordable Case Incidence Rate	.30	.55	.45	.35	.25
HSE Corporate Audit Scores	89%	70%	80%	85%	90%
Industrial & Infrastructure Group Segment Profit	$476.0	$297.7	$425.3	$463.6	$489.1

(1) The minimum rating for Net Earnings Attributable to Fluor and Corporate ROAE is .25, and the minimum rating for Corporate Safety and Group Segment Profit is .50. The minimum level for each goal is required to be satisfied before there is any payout for the performance measure.

(2) Actual achievement must be between 95% and 105% of the target amount for the target to be met.

Achievement of the discretionary individual performance measure varied among the named executives because of the difference in responsibilities and the accomplishments of each individual. The Committee determined the achievement of the discretionary individual performance measure for the named executives other than the Chief Executive Officer, after taking into account the Chief Executive Officer's recommendations with regard to those named executives, and also recommended to the Board the achievement of this measure for the Chief Executive Officer. Subjective evaluations made by the Chief Executive Officer were based on each named executive's leadership and group accomplishments. The individual performance measure was not a significant factor in determining compensation, and no named executive's compensation was materially affected by his level of achievement of this measure.

Once the achievement amounts are determined and compared to the various targets, each named executive's overall performance rating is calculated by multiplying each measure's rating (which can range from 0% to 200% achievement, measured on a proportional basis between each of minimum and target, target and upper target, and upper target and maximum) by its relative weighting, and then aggregating those amounts. The aggregate amount (the overall performance rating) is then multiplied by the individual's target annual incentive amount to determine the annual incentive payment for each named executive.

Table of Contents

The annual incentive amounts for 2013 performance for each named executive were determined as follows:

Named Executive	Target Annual Incentive Amount	x	Overall Performance Rating	=	Annual Incentive Amount
David T. Seaton	$1,560,000	x	1.12	=	$1,750,000
Biggs C. Porter	$674,100	x	1.08	=	$728,100
Stephen B. Dobbs	$529,600	x	1.24	=	$656,800
David R. Dunning	$425,000	x	1.19	=	$505,800
Carlos M. Hernandez	$499,800	x	1.12	=	$559,800

For 2013, the annual incentive payment for each of the named executives was between target and upper target achievement based on company, group and individual performance. The annual incentive payment for each named executive was higher than his 2012 payment, primarily due to the higher achievement levels of the corporate performance measures as noted above. Annual incentive payments were in line with the historical correlation between payouts and performance.

Long-Term Incentive Program

In 2013, the company's long-term incentives were awarded by the Committee under the Performance Plan. The plan is designed to allow for awards that create increased value for our stockholders, reward the achievement of superior operating results, facilitate the attraction and retention of key management personnel and align the interests of management and stockholders through equity ownership. The total dollar award value for the 2013 long-term awards was targeted and granted at approximately the 50th percentile of the Compensation Peer Group.

Table of Contents

Consistent with our recent practice, in 2013 the long-term incentive awards for named executives included three components:

Component	Percentage of LTI Grant Value	Objectives and Benefits of Component
Value Driver Incentive ("VDI") Awards	34%	> Provide stock-based compensation (payable in either cash or stock) for the achievement of the new awards gross margin performance measures established annually by the Committee (which measures have historically been a key contributor to stockholder return) > Incentivize named executives to grow the business and create stockholder value during the current year > Promote retention and incentivize holders to create stockholder value that will be realized upon deferred (three-year) vesting (which aligns named executives with stockholders)
Restricted Stock Units	33%	> Incentivize named executives to create stockholder value that will be realized upon vesting (which aligns named executives with stockholders) > Promote retention over the vesting period since RSUs have value even if the stock price declines or stays flat > Balance our compensation program design, as RSUs take into account both upside and downside risk in our stock price
Non-Qualified Stock Options	33%	> Provide actual economic value to the named executive only if the price of Fluor stock has increased from the grant date at the time the option is exercised > Motivate executive officers by providing more potential upside > Promote retention over the vesting period

The Committee believes that the mix of the three components aligns the interests of named executives with those of stockholders by encouraging named executives to focus on both short- and long-term growth of the company, while also providing named executives with a balanced pay package similar to many of our peers. VDI grants were valued at the target dollar value (and converted into performance units based on the closing stock price on the date of grant); restricted stock units were valued at the fair market value (closing stock price) on the date of grant; and stock options were valued using the Black-Scholes option pricing model.

Table of Contents

The Committee determines the dollar value of long-term incentive awards for named executives at the first regularly scheduled meeting of the Committee each year, which is typically held in February. The determinations are made at that time to coincide with the annual performance review (when prior year performance information is available) and compensation adjustment cycle, which are addressed at that same meeting. The long-term incentive awards are granted after the meeting on the third business day following the publication of our annual results, based on the closing price on that date.

Value Driver Incentive Awards

In 2013, the Committee granted stock-based VDI awards to named executives. VDI awards are designated as a number of performance units and for 2013 have a one-year performance period, which started on January 1, 2013 and ended on December 31, 2013, after which they are subject to an additional two-year vesting period ending in February 2016.

The Committee established the following performance criteria and relative weightings for the 2013 VDI awards for named executives:

- 60% of the total award is based on new awards gross margin dollars; and
- 40% of the total award is based on new awards gross margin percentage.

The calculation of the target number of units, as well as the eventual determination of the payout of VDI awards, is illustrated below:

New awards gross margin dollars measures the total amount of project gross margin that the company expects to receive as a result of projects awarded within the performance period. New awards gross margin percentage is the total amount of gross margin the company expects to receive as a result of projects awarded within the performance period as a percentage of expected revenue from these projects. The Committee selected these performance criteria because, although measured over a relatively short period, they relate to contracts that typically will extend a number of years into the future and thus will generate, and position the company for, increased future earnings. The Committee believes the inclusion of the two different measures is appropriate given the diversified nature of our business. The relative weightings are determined based on the company's relative business priorities and may be changed from time to time. These measures are not reported in our financial statements, as disclosure of the new awards gross margin targets would result in competitive harm to the company, but are set at levels intended to challenge our executives to achieve business goals established as part of the annual strategic plan. In the past five years, VDI payouts have ranged from 14% to 198% of the target payout and have averaged around 123% of target payout.

In the first quarter of a year, the Committee sets minimum threshold (paid at 50% of target), target (paid at 100% of target), upper target (paid at 150% of target) and maximum (paid at 200% of target) levels for both objectives of the VDI awards for the performance period. When setting these performance goals, the Committee considers the company's past performance, current business outlook and other corporate financial measures. When determining whether the new awards performance goals

have been met, the Committee takes into account any changes affecting project gross margin backlog (*e.g.*, scope changes, adjustments or cancellations) that occurred during the year.

In the first quarter following the performance period, the Committee determines the actual achievement of the performance measures and adjusts the number of performance units by multiplying the number of performance units by the performance rating (ranging from 0.00 to 2.00). The 2013 performance units vest in full approximately three years following the grant date. The 2011 and 2012 performance units, as adjusted following the performance period, vested half on the one year anniversary of the date of grant and have vested (in the case of the 2011 grant) or will vest (in the case of the 2012 grant) half on the three year anniversary of the date of grant. The performance units are settled in cash or stock, as elected by the named executive, provided that any award for a named executive not meeting company stock ownership guidelines will be settled in stock.

As noted above, the payment schedule is intended to facilitate retention of the participating executives and to link long-term value of the awards to stock price. Each installment of a named executive's award is subject to risk of forfeiture if, prior to payment, the named executive's employment with the company is terminated for any reason other than retirement, death, disability or a qualifying termination within two years after a change in control of the company.

VDI Achievement for 2013

The actual achievement for the 2013 VDI awards was 131% of the target payout level, based on performance from January 1, 2013 to December 31, 2013. The award will vest in February 2016. The number of performance units granted in connection with the 2013 VDI awards, as adjusted for actual performance, is shown below and is included in the Outstanding Equity Awards at 2013 Fiscal Year End table on page 46.

Named Executive	**2012 Grant Amount**	**Number of Units Granted[(1)]**	**Earned Units[(2)]**
David T. Seaton	$2,733,880	44,490	58,282
Biggs C. Porter	$733,480	11,937	15,638
Stephen B. Dobbs	$475,095	7,732	10,129
David R. Dunning	$500,100	6,782	8,885
Carlos M. Hernandez	$416,750	8,139	10,663

(1) Based on the closing stock price on the date of grant ($61.45) and rounded up to the nearest whole share.

(2) Calculated using a performance rating of 1.31 and rounded up to the nearest whole share, which units will vest on February 5, 2016.

Table of Contents

Other Compensation Decisions

We pay hiring bonuses when necessary or appropriate to attract top executive talent from other companies. We also periodically grant cash or equity retention awards to retain our current highly qualified executives, to reflect competitive market situations, to address specific project objectives or to reinforce succession planning objectives. Executives we recruit must often forfeit unrealized value in the form of unvested equity and other forgone compensation opportunities provided by their former employers. We provide hiring bonuses to compensate them for this lost opportunity; but we also include service requirements in order to retain the executive. For example, in 2012, Mr. Porter received a hiring bonus in the form of restricted stock units in order to compensate him for stock and other awards he forfeited when he left his prior employer. The units vest in equal thirds over three years from his date of hire if Mr. Porter remains employed by the company through the vesting dates or may vest earlier if his employment is terminated prior to the vesting date due to death, permanent and total disability, termination without cause or a company-initiated termination following a change in control. In 2013, Mr. Dunning received a retention award in the form of restricted stock units and deferred compensation in order to retain his services in a key role relating to company strategy. For further details on these arrangements, see "New Hire and Retention Agreements" on page 45.

Other Elements of Named Executive Compensation

Perquisites

The Committee evaluates perquisites based on their cost efficiency, motivational value and benefits to the company. Perquisites, which are relatively small in relation to total direct compensation, are targeted at the 50th percentile of the Compensation Peer Group. In 2013, named executives were paid a taxable monthly allowance as a substitute for the company reimbursing or paying for perquisites such as an automobile allowance, tax and financial planning, and company-owned country club membership dues. The taxable monthly allowance is provided so that overall compensation for named executives is competitive. In addition, named executives are required to have a physical examination each year that is paid for by the company. Named executives may have spousal travel paid for by the company only when it is for an approved business purpose, in which case a related tax gross-up is provided. In 2013, the company did not provide any other tax gross-ups. Named executives can make personal use of charter aircraft in conjunction with a business purpose, but the named executive is required to reimburse the company for the incremental operational cost. None of the named executives used charter aircraft in 2013 for personal reasons.

Executive Deferred Compensation Program

The named executives are eligible to participate in Fluor's Executive Deferred Compensation Program. The company offers this program to provide retirement and tax planning flexibility and to remain competitive with other companies within our Compensation Peer Group and general industry. Please refer to the discussion in the Nonqualified Deferred Compensation table on pages 50-51 for a more detailed discussion of these arrangements.

Severance and Change in Control Benefits

The company provides each of the named executives with cash severance in the event of a termination of employment by the company without cause. The company believes its severance policy assists in attracting and retaining qualified executives. The level of any cash severance payment is based upon base salary and years of service at the time of separation. In addition, each named executive has a change in control agreement that provides additional payments and other benefits if we terminate his employment without cause or if the named executive terminates employment for good reason within two years following a change in control of the company. The change in control agreements are

Table of Contents

designed to reinforce and encourage the continued attention and dedication of the executives without distraction in the face of potentially disruptive circumstances arising from the possibility of the change in control and to serve as an incentive to their continued commitment to and employment with the company. No gross-up for excise taxes, if any, is payable under the change in control agreements. The company will, however, automatically reduce any payments under the agreement to the extent necessary to prevent payments from being subject to excise taxes, but only if by reason of the reduction, the executive's after-tax benefit of the reduced payments exceeds the after-tax benefit if such reduction were not made.

Please refer to the discussion under "Potential Payments Upon Termination or Change in Control" below for a more detailed discussion of these arrangements. Severance and change in control benefits are provided to be competitive within the Compensation Peer Group.

Establishing Executive Compensation

Compensation Philosophy, Objectives and Risk Assessment

The Committee has responsibility for establishing and implementing the company's executive compensation philosophy. The Committee reviews and determines all components of named executives' compensation (other than with respect to our Chief Executive Officer's compensation, which the Committee reviews and recommends for approval by our independent directors), including making individual compexnsation decisions, and reviewing and revising the company's compensation plans, programs and other arrangements.

The Committee has established the following compensation philosophy and objectives for the company's named executives:

Align the interests of named executives with those of the stockholders. The Committee believes it is appropriate to tie a significant portion of executive compensation to the value of the company's stock in order to closely align the interests of named executives with the interests of our stockholders. The Committee also believes that executives should have a meaningful ownership interest in the company and has established and regularly reviews executive stock ownership guidelines.

Have a significant portion of pay that is performance-based. Fluor expects superior performance. Our executive compensation programs are designed to reward executives when performance results for the company and the executive meet or exceed stated objectives. The Committee believes that compensation paid to executives should be closely aligned with the performance of the company relative to expectations.

Provide competitive compensation. The company's executive compensation programs are designed to attract, retain and motivate highly qualified executives critical to achieving Fluor's strategic objectives and building stockholder value.

The Committee reviews the company's compensation philosophy and objectives each year to determine if revisions are necessary in light of market conditions, the company's strategic goals or other relevant factors. In each of the last five years, the Committee determined that no revisions to the executive compensation philosophy and objectives were necessary, although the Committee has adjusted the elements of compensation used to implement its philosophy as compensation practices have evolved.

In addition, the Committee reviewed the incentive compensation we provide to our named executives, including evaluating the mix of programs and performance criteria, the Committee's ability to exercise discretion over certain components of compensation and our risk management practices generally. Based on this review, the Committee believes that our executive compensation programs are

Table of Contents

designed to appropriately align compensation with our business strategy and not to encourage behaviors that could create material adverse risks to our business.

Peer Group Comparisons

In making compensation decisions, the Committee looks at the practices of our Compensation Peer Group. While it is the Committee's intent to keep the Compensation Peer Group the same each year, the Committee annually reviews the composition of the Compensation Peer Group and makes refinements if necessary based on the criteria established by the Committee.

In 2009, the Committee requested that the compensation consultant conduct a holistic review of the Compensation Peer Group and create a consistent set of criteria and a process for selection of the Compensation Peer Group. Potential peer companies were identified by applying the following objective selection criteria:

- Standard & Poor's Global Industry Classification Standard (GICS) codes for the company, our direct competitors and key customers (2010 capital goods, 101010 energy equipment and services, and 101020 oil, gas and consumable fuels);
- Companies commonly identified as peers of direct engineering and construction peers (based on disclosures in their most recent proxy statements);
- Companies with generally comparable pay models; and
- Companies with generally comparable revenues, number of employees and market capitalization value (with a guideline ranging from 0.25x to 4.0x on all three measures, subject to exception for direct competitors and other engineering and construction peers).

As part of its compensation review for 2013, the Committee reviewed the Compensation Peer Group and determined that the peer group selection criteria should remain unchanged. Using that selection criteria, the Committee determined that five companies should be removed and five new

Table of Contents

companies should be added. The companies comprising Fluor's Compensation Peer Group for purposes of establishing 2013 compensation were:

AECOM Technology Corporation*	Jacobs Engineering Group Inc.*
Chicago Bridge & Iron Company*	KBR, Inc.*
Cummins Inc.	L-3 Communications Corporation
Danaher Corporation	Lockheed Martin Corporation
Deere & Company	Navistar International Corporation
Dover Corporation	Northrop Grumman Corporation
Eaton Corporation	PACCAR Inc.
Emerson Electric Co.	Parker-Hannifin Corporation
Foster Wheeler AG*	Quanta Services, Inc.*
General Dynamics Corporation	Raytheon Company
Goodrich Corporation	Shaw Group Inc.*
Halliburton Company	Tyco International Ltd.
Hess Corporation	URS Corporation*
Illinois Tool Works Inc.	W.W. Grainger, Inc.
Ingersoll-Rand Company Limited	

* Direct competitors and other engineering and construction peers.

Shaw Group and Goodrich Corporation were acquired in 2013 and have since been removed from the group for purposes of determining 2014 compensation. In addition, Navistar International Corporation dropped below the prescribed size range and has been removed from the group for purposes of determining 2014 compensation.

The Committee reviews benchmarking comparisons for each named executive based on a job title comparison among the Compensation Peer Group. All job titles that appear to contain similar responsibilities are included in the benchmarking comparisons for each of the named executives.

The Committee sets target compensation levels for the named executives as follows:

Base salary compensation is targeted at the 50th percentile for similar job titles, experience and tenure of executives within the Compensation Peer Group. The Committee believes targeting compensation at this level helps the company attract and retain executives. However, from time to time, the Committee may approve compensation at levels outside the 50th percentile depending on a number of factors, including the named executive's experience, skill sets, industry knowledge and other similar attributes.

Base salary plus annual incentive (*i.e.*, cash) compensation is similarly targeted at the 50th percentile of the Compensation Peer Group for attainment of target-level company and individual performance objectives applicable to annual incentive awards. Annual incentive payments may be made above the 50th percentile if above-target company and individual performance is attained. If company and individual objectives are not met, annual incentive compensation may be below the 50th percentile or not paid at all.

Total direct compensation, or base salary plus annual and long-term incentive grants, is also targeted at the 50th percentile of the Compensation Peer Group for attainment of target-level company performance. Achievement of superior company performance and continued stock

price appreciation will result in growth of actual total direct compensation over time. Below-target company performance and diminishing stock price appreciation will decrease actual total direct compensation.

A significant portion of total direct compensation is allocated to annual and long-term incentives in accordance with the company's compensation philosophy. The Committee reviews the Compensation Peer Group data each year to determine the appropriate level and mix of incentive compensation including cash-based and equity-based incentives. For 2013, the target allocation between base salary and all other types of incentive compensation as a percentage of the total compensation for the Chief Executive Officer was approximately 11% in base salary and 89% in target annual incentive compensation and long-term incentive award value. The target allocation mix for all other named executives was approximately 22% to 24% in base salary and 76% to 78% in target annual incentive compensation and long-term incentive award value. The differences in the proportion of compensation that is at-risk among the named executives reflects the Committee's policy of providing greater at-risk compensation for executives with the highest amount of responsibility and ability to impact the company results.

In 2013, Mr. Seaton participated in the same compensation programs with similar metrics as other named executives. His compensation is higher than other named executives to reflect his additional responsibilities as Chief Executive Officer and the target compensation of chief executive officers of the peer group, therefore yielding higher payment opportunities. His 2013 total direct compensation was $10,960,000, which approximated the median compensation of $10,955,000 of other chief executive officers in our Compensation Peer Group. The table below illustrates how the components of Mr. Seaton's annualized pay are positioned relative to our Compensation Peer Group for other chief executive officers (as of our latest compensation review in August 2013):

	David T. Seaton	**Peer Group Median**
Base Salary	$1,200,000	$1,270,000
Bonus Target	130%	130%
Total Cash Compensation (Base + Bonus) at Target	$2,760,000	$3,111,000
Long-Term Incentive Value at Target	$8,200,000	$8,366,000

Role of Company Management in Compensation Decisions

Before the Committee makes decisions on base salary and annual and long-term incentives, the Chief Executive Officer reviews compensation for the other named executives and makes recommendations to the Committee based on their individual and group performance. At the beginning of the year, he proposes to the Committee base salary adjustments for the current year, annual incentive award payments for the previous year and current-year long-term incentive grants for each of the other named executives. The Committee reviews and approves the compensation actually paid to the named executives after consideration of the recommendations made by the Chief Executive Officer. The Committee may exercise discretion to modify named executives' compensation from that recommended by the Chief Executive Officer, but did not exercise that discretion for the named executives with respect to 2013 compensation.

Other Aspects of Our Executive Compensation Programs

2013 "Say on Pay" Advisory Vote on Executive Compensation

We hold an annual "say on pay" advisory vote to approve our executive compensation. At our 2013 Annual Meeting of Stockholders, stockholders approved the compensation of our named

executives, with approximately 84% of the votes cast for approval of the company's executive compensation. The Committee evaluated the results of the 2013 advisory vote at its August meeting and then again in February 2014 when determining executive compensation. The Committee also considered many other factors in evaluating our executive compensation program, including the Committee's assessment of the interaction of our compensation programs with our corporate business objectives, evaluations of our program by our compensation consultant, including with respect to "best practices," and a review of data of our Compensation Peer Group. Taking all of this information into account, the Committee did not make any changes to our executive compensation program and policies as a result of the 2013 "say on pay" advisory vote. As requested by the Committee, management continues to engage with stockholders on executive compensation questions or concerns, as needed.

Clawback Policy

Pursuant to the company's clawback policy, if the Board determines that any key executive or employee, including any named executive, has engaged in fraud or willful misconduct that caused or otherwise contributed to a need for a material restatement of the company's financial results, the Board will review all performance-based compensation earned by that employee during the fiscal periods materially affected by the restatement. If the Board determines that any performance-based compensation would have been lower if it had been based on the restated results, the Board will, to the extent permitted by applicable law, seek recoupment of performance-based compensation as it deems appropriate. To date, the Board has not encountered a situation where a review of compensation pursuant to the policy was necessary.

Stock Ownership Guidelines

Executive officers are encouraged to hold Fluor common stock to align their financial interests with those of the stockholders. The company has established ownership guidelines for named executives as follows:

Role	Value of Shares or Share Units to be Owned
Chief Executive Officer	6 times base salary
Chief Financial Officer and Chief Legal Officer	3.5 times base salary
Other Named Executives	2 to 2.5 times base salary

A named executive is required to settle VDI awards in stock and to retain all company common stock, including 100% of the net shares acquired from the exercise of stock options or the vesting of restricted stock, to the extent he has not satisfied the guidelines. As of the date of this report, all named executives were in compliance with these stock ownership guidelines.

Restrictions on Certain Trading Activities

Our insider trading policy for executive officers and non-management directors prohibits transactions involving short term or speculative trading in, or any hedging or monetization transactions involving, company securities. In addition, our policy prohibits pledging company securities or holding company securities in a margin account.

Tax Implications

The Committee reviews and considers the deductibility of executive compensation under Section 162(m) of the Internal Revenue Code (the "IRC"), which generally prohibits the company from deducting compensation in excess of $1,000,000 that is paid to named executives other than the Chief

Table of Contents

Financial Officer. In February of each year, the Committee sets and approves performance hurdles designed to allow named executives' long-term incentive awards to potentially qualify as "performance based compensation" as defined under Section 162(m) of the IRC. Stock option proceeds are intended to be deductible under the provisions of the stock plans and the structure of the related grant agreements. Historically, we have claimed a deduction for a significant percentage of our covered executives' taxable income. However, because there are uncertainties as to the application of regulations under Section 162(m), as with most tax matters, it is possible that our deductions may be challenged or disallowed. Accordingly, there is no certainty that elements of compensation discussed in this proxy statement will in fact be deductible by the company. In addition, the Committee retains discretion to approve compensation that is not intended to be deductible under Section 162(m) of the IRC if it determines that circumstances warrant such compensation.

ORGANIZATION AND COMPENSATION COMMITTEE REPORT

Management of the company has prepared the Compensation Discussion and Analysis as required by Item 402(b) of Regulation S-K, and the Committee has reviewed and discussed it with management. Based on this review and discussion, the Committee recommended that the Compensation Discussion and Analysis be included in the proxy statement for the company's 2014 Annual Meeting of Stockholders.

The Organization and Compensation Committee

Peter J. Fluor, Chairman
James T. Hackett
Kent Kresa
Dean R. O'Hare
Joseph W. Prueher

Table of Contents

SUMMARY COMPENSATION TABLE

The table below summarizes the total compensation earned by each of the named executives in 2013.

The 2013 named executives include the principal executive officer, the principal financial officer and the three other highest paid executives. The positions listed below reflect the positions held as of December 31, 2013. Effective February 10, 2014, Mr. Dobbs stepped down from the position of Group President, Industrial & Infrastructure.

(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
Name and Principal Position	Year	Salary ($)[1]	Bonus ($)[2]	Stock Awards ($)[3]	Option Awards ($)[4]	Non-Equity Incentive Plan Compensation ($)[5]	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)[6]	All Other Compensation ($)[7]	Total ($)[8]
David T. Seaton	2013	$1,185,611	$1,162,283[9]	$5,467,084	$2,733,099	$1,750,000		$243,221	$12,541,298
Chairman and	2012	$1,105,798		$4,735,813	$2,364,343	$936,000	$20,673	$183,562	$9,346,189
Chief Executive Officer	2011	$962,524		$4,187,576	$2,062,560	$2,306,000	$22,257	$200,140	$9,741,057
Biggs C. Porter	2013	$788,597		$1,466,873	$733,294	$728,100		$84,264	$3,801,128
Senior Vice President &	2012	$533,088		$4,934,243[10]	$666,001	$451,700		$37,125	$6,622,157
Chief Financial Officer	2011								
Stephen B. Dobbs	2013	$619,562	$1,033,789[11]	$950,201	$474,980	$656,800		$119,330	$3,854,662
Group President,	2012	$601,086		$867,188	$432,912	$272,600		$74,079	$2,247,865
Industrial & Infrastructure	2011	$581,234		$800,578	$399,615	$934,200	$25,449	$106,489	$2,847,565
David R. Dunning	2013	$490,399		$1,333,364	$416,641	$505,800	$2,179	$93,003	$2,841,386
Group President, Business	2012								
Development & Strategy	2011								
Carlos M. Hernandez	2013	$582,632		$1,000,099	$499,990	$559,800		$102,811	$2,745,332
Senior Vice President &	2012	$552,367		$933,938	$466,259	$299,900	$3,267	$76,243	$2,331,974
Chief Legal Officer	2011	$517,305		$800,578	$399,615	$800,400	$10,906	$80,012	$2,608,816

(1) The amounts in column (c) include base salary and any time off with pay utilized during the year.

(2) The amounts in column (d) are non-plan arrangements as described in the New Hire and Retention Agreements discussion on page 45. Annual incentive payments appear in column (g).

(3) The amounts in column (e) represent the aggregate grant date fair value of the restricted stock units (RSUs) and the long-term Value Driver Incentive (VDI) awards granted in each year. The fair value of the RSUs is based on the fair market value on the date of grant, calculated as the closing price of the company's common stock on the New York Stock Exchange on the date of grant in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718 ("ASC 718"). The VDI awards were converted from a dollar grant value and are tracked as performance units starting on the date of grant based on the closing price of the company's common stock on that day. The grant date fair value of the 2013 VDI awards, assuming the highest level of performance is achieved, is two times the target value, or: $5,467,822 for Mr. Seaton; $1,467,058 for Mr. Porter; $950,262 for Mr. Dobbs; $833,508 for Mr. Dunning; and $1,000,284 for Mr. Hernandez.

Table of Contents

The chart below details the amounts of each type of award granted in 2013:

	David T. Seaton	Biggs C. Porter	Stephen B. Dobbs	David R. Dunning	Carlos M. Hernandez
RSUs	$2,733,173	$733,344	$475,070	$916,610	$499,957
VDI	$2,733,911	$733,529	$475,131	$416,754	$500,142
TOTAL	**$5,467,084**	**$1,466,873**	**$950,201**	**$1,333,364**	**$1,000,099**

(4) The amounts in column (f) represent the aggregate grant date fair value of options granted in each year. The fair value of these awards is based on the Black-Scholes option pricing model on the date of grant in accordance with ASC 718. Assumptions used in the calculation of these amounts are included in the "Stock-Based Plans" footnote to the company's audited financial statements for the fiscal years ended December 31, 2013, 2012 and 2011, included in the company's Annual Reports on Form 10-K filed with the Securities and Exchange Commission on February 18, 2014, February 20, 2013 and February 22, 2012, respectively.

(5) The amounts in column (g) represent amounts earned as annual incentive in each year.

(6) The amounts in column (h) represent the actuarial increase in the present value of the named executive's benefits under the company's pension plan. The increase was calculated using the interest rate, discount rate and form of payment assumptions consistent with those used in the company's audited financial statements. The calculation assumes benefit commencement is at normal retirement age (age 65), and was computed without respect to pre-retirement death, termination or disability. Mssrs. Seaton, Dobbs and Hernandez had negative changes in their pension values in 2013 of ($8,313), ($4,218) and ($257), respectively. Effective December 31, 2011, no further company contributions were credited to any of the named executives' pension plan accounts. The decrease in pension values is solely due to the increase in the discount rate from 2012 to 2013. Earnings on deferred compensation are not reflected in this column because the company does not provide above-market or guaranteed returns on nonqualified deferred compensation.

(7) The amounts in column (i) are detailed in a separate All Other Compensation table below.

(8) The amounts in column (j) represent the total of columns (c) through (i).

(9) This amount represents the vesting of a deferred cash retention award granted to Mr. Seaton as described in the New Hire and Retention Agreements discussion on page 45.

(10) This amount includes a $3,600,000 hiring bonus that was included in Mr. Porter's employment offer as described in the New Hire and Retention Agreements discussion on page 45.

(11) This amount represents the vesting of a deferred cash retention award granted to Mr. Dobbs as described in the New Hire and Retention Agreements discussion on page 45.

Table of Contents

ALL OTHER COMPENSATION

The following table and related footnotes describe each component of the All Other Compensation column (i) of the Summary Compensation Table for 2013.

(a) Name	(b) Company Contributions to Qualified and Nonqualified Defined Contribution Plans ($)[1]	(c) Tax Gross-ups ($)[2]	(d) Perquisite Allowances ($)[3]	(e) Other Perquisites ($)[4]	(f) Total All Other Compensation ($)[5]
David T. Seaton	$129,549	$14,827	$71,100	$27,745	$243,221
Biggs C. Porter	$27,451	$3,068	$49,500	$4,245	$84,264
Stephen B. Dobbs	$74,095	$5,384	$32,400	$7,451	$119,330
David R. Dunning	$43,545	$8,179	$32,400	$8,879	$93,003
Carlos M. Hernandez	$54,223	$6,791	$32,400	$9,397	$102,811

(1) The amounts in column (b) represent amounts deposited by the company into each named executive's account in the 401(k) plan, pursuant to the company's 5% match, and amounts contributed by the company into each named executive's account in the non-qualified deferred compensation plan for matching or discretionary contributions that would have been credited to each named executive's account in the 401(k) plan for the portion of base salary or contributions in excess of IRC limitations.

(2) The amounts in column (c) represent the tax gross-up provided for business-related spousal travel and business-related spousal air charter usage.

(3) The amounts in column (d) represent the aggregate perquisite allowance paid monthly as a substitute for the company reimbursing or paying for perquisites such as an automobile allowance, tax and financial planning, and company-owned country club membership dues. Not more than $25,000 of the allowance was used by any named executive for any single type of perquisite.

(4) The amounts in column (e) represent the incremental cost for business-related spousal travel and business-related spousal air charter usage and, for Mr. Seaton, the value of security measures taken in 2013, each of which was less than $25,000.

(5) The amounts in column (f) represent the totals of columns (b) through (e).

Table of Contents

GRANTS OF PLAN-BASED AWARDS IN 2013

The table below provides information about equity and non-equity awards granted to the named executives in 2013.

)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n
				Estimated Future Payouts Under Equity Incentive Plan Awards[2]			Estimated Future Payouts Under Non-Equity Incentive Plan Awards[3]						
me	Type of Award[1]	Grant Date	Approval Date	Threshold (#)	Target (#)	Maximum (#)	Threshold ($)	Target ($)	Maximum ($)	All Other Stock Awards: Number of Shares of Stock or Units (#)[4]	All Other Option Awards: Number of Securities Underlying Options[5]	Exercise or Base Price of Option Awards Per Share ($/sh)[6]	Gra Dat Fair V of Stock Opti Awa ($
T.													
n	RSU	2/25/2013	2/2/2013							44,478			$2,733
	SO	2/25/2013	2/2/2013								158,676	$61.45	$2,733
	VDI	2/25/2013	2/2/2013	0	44,490	88,980							$2,733
	AI	N/A	N/A				$0	$1,560,000	$3,120,000				
C.													
	RSU	2/25/2013	2/1/2013							11,934			$733
	SO	2/25/2013	2/1/2013								42,573	$61.45	$733
	VDI	2/25/2013	2/1/2013	0	11,937	23,874							$733
	AI	N/A	N/A				$0	$674,100	$1,348,200				
en B.													
	RSU	2/25/2013	2/1/2013							7,731			$475
	SO	2/25/2013	2/1/2013								27,576	$61.45	$474
	VDI	2/25/2013	2/1/2013	0	7,732	15,464							$475
	AI	N/A	N/A				$0	$529,600	$1,059,200				
R.													
ng	RSU	2/25/2013	2/1/2013							6,780			$416
	RSU	9/27/2013	9/26/2013							7,037			$499
	SO	2/25/2013	2/1/2013								24,189	$61.45	$416
	VDI	2/25/2013	2/1/2013	0	6,782	13,564							$416
	AI	N/A	N/A				$0	$425,000	$850,000				
M.													
ndez	RSU	2/25/2013	2/1/2013							8,136			$499
	SO	2/25/2013	2/1/2013								29,028	$61.45	$499
	VDI	2/25/2013	2/1/2013	0	8,139	16,278							$500
	AI	N/A	N/A				$0	$499,800	$999,600				

(1) The types of awards that were granted in 2013 are as follows: Restricted Stock Units (RSU), Stock Options (SO), Value Driver Incentive (VDI) and Annual Incentive (AI).

(2) Columns (e), (f) and (g) show the potential number of units for each named executive of his 2013 VDI award if the threshold, target and maximum performance goals are satisfied. All potential payouts are performance-driven, and therefore completely at risk. The performance goals are described in the Compensation Discussion and Analysis on page 31. The performance units vest in full on February 5, 2016.

(3)

Columns (h), (i) and (j) show the potential value of the payout for each named executive of his 2013 annual incentive award if the threshold, target and maximum performance goals are satisfied. All potential payouts are performance-driven, and therefore completely at risk. The performance goals are described in the Compensation Discussion and Analysis on pages 26-27.

(4)

The amounts in column (k) represent the number of restricted stock units granted on February 25, 2013 as part of the 2013 long-term incentive awards. These restricted stock units vest in equal thirds over three years from the date of grant. For Mr. Dunning, these amounts also represent the number of restricted stock units granted on September 27, 2013 under a retention award described in the New Hire and Retention Agreements discussion on page 45. These restricted stock units for Mr. Dunning vest in full on June 1, 2015 if he remains employed by the company through that date.

(5)

The amounts in column (l) represent the number of nonqualified stock options granted on February 25, 2013 as part of the 2013 long-term incentive awards. The options vest in equal thirds over three years from the date of grant.

(6)

The amounts in column (m) represent the exercise price of the nonqualified stock options, which was the closing price of the company's common stock on the New York Stock Exchange on the date of grant.

Table of Contents

(7) This amount represents the fair value of the restricted stock units granted on February 25, 2013 as part of the 2013 long-term incentive awards. The value is computed in accordance with ASC 718, using the grant price of $61.45 per share, which was the closing price of the company's common stock on the New York Stock Exchange on the date of grant.

(8) This amount represents the grant date fair value of the nonqualified stock options granted on February 25, 2013 as part of the 2013 long-term incentive awards. The value is computed in accordance with ASC 718, using a Black-Scholes option pricing model value of $17.2244 per option.

(9) This amount represents the grant date fair value of the 2013 VDI performance units granted on February 25, 2013 as part of the 2013 long-term incentive awards, using the grant price of $61.45 per unit, which was the closing price of the company's common stock on the New York Stock Exchange on the date of the grant.

(10) This amount represents the fair value of the restricted stock units granted on September 27, 2013 under a retention award described in the New Hire and Retention Agreements discussion on page 45. The value is computed in accordance with ASC 718, using the grant price of $71.05 per share, which was the closing price of the company's common stock on the New York Stock Exchange on the date of grant.

Table of Contents

NEW HIRE AND RETENTION AGREEMENTS

In January 2008, the company entered into retention agreements with Mr. Seaton and Mr. Dobbs to ensure their services were retained for continued growth of the company and as part of the succession planning process. Pursuant to the terms and conditions of the retention agreement, which included a requirement of continuous employment with the company, they received awards consisting of two components. First, upon continued employment at each vesting date, the 32,928 restricted stock units granted under the retention agreements vested in equal thirds on January 31, 2011, January 31, 2012 and January 31, 2013. Second, on January 31, 2008, each of Mr. Seaton and Mr. Dobbs received a sum of $1,000,000 credited to his special deferred compensation program account that vested, together with the accrued gains, on March 31, 2013.

In March 2012, the company entered into an employment letter with Mr. Porter, in which he was granted a hiring bonus in order to cover the loss of unvested compensation he was forfeiting with his prior employer. The award was granted in the amount of $3,600,000 with a vesting schedule over three years to incentivize him to remain employed by the company. One-third of the award vested on April 9, 2013, one-third will vest on April 9, 2014 and the remainder will vest on April 9, 2015.

In September 2013, the company entered into a retention agreement with Mr. Dunning to ensure his continued service. The award consists of RSUs with a grant date value of $499,979 and a deferred cash award of $750,000, all of which will vest in full on June 1, 2015 if he remains employed by the company through that date.

Table of Contents

OUTSTANDING EQUITY AWARDS AT 2013 FISCAL YEAR END

The following table provides information on the holdings of stock options and restricted stock shares and units by the named executives as of December 31, 2013.

(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
	Option Awards[1]					Stock Awards[2]	
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price ($)	Option Grant Date	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)[3]	Market Value of Shares or Units of Stock That Have Not Vested ($)[4]
David T. Seaton		29,363	$70.76	02/28/2011	02/28/2021	197,079	$15,823,473
		78,984	$62.50	02/27/2012	02/27/2022		
		158,676	$61.45	02/25/2013	02/25/2023		
Biggs C. Porter	12,297	24,594	$56.54	05/03/2012	05/03/2022	84,901	$6,816,701
		42,573	$61.45	02/25/2013	02/25/2023		
Stephen B. Dobbs	4,158		$42.11	02/09/2006	02/09/2016	41,231	$3,310,437
	17,960		$44.71	03/06/2007	03/06/2017		
	13,608		$68.36	03/04/2008	03/04/2018		
	22,545		$30.46	03/02/2009	03/02/2019		
	41,391		$42.75	03/02/2010	03/02/2020		
	11,378	5,689	$70.76	02/28/2011	02/28/2021		
	7,231	14,462	$62.50	02/27/2012	02/27/2022		
		27,576	$61.45	02/25/2013	02/25/2023		
David R. Dunning	2,268		$68.36	03/04/2008	03/04/2018	35,295	$2,833,836
	7,586	3,793	$70.76	02/28/2011	02/28/2021		
	5,006	10,012	$62.50	02/27/2012	02/27/2022		
		24,189	$61.45	02/25/2013	02/25/2023		
Carlos M. Hernandez	13,608		$68.36	03/04/2008	03/04/2018	36,765	$2,951,862
	13,797		$42.75	03/02/2010	03/02/2020		
	11,378	5,689	$70.76	02/28/2011	02/28/2021		
	7,788	15,576	$62.50	02/27/2012	02/27/2022		
		29,028	$61.45	02/25/2013	02/25/2023		

(1) The option expiration date is ten years from the grant date. Options vest as follows:

Award Year	Vesting Period	Vesting Date
2006	20% per year over 5 years	February 5
2007	20% per year over 5 years	March 6
2008 and later	One-third per year for 3 years	March 6

(2) The amounts in column (g) include restricted stock shares, restricted stock units and performance units. The vesting dates for the restricted stock shares and units are as follows:

Award Year	Type of Award	Vesting Period	Vesting Date
2005 and earlier	RSS	100% after 10 years	February 5
2008 and later	RSU	One-third per year for 3 years	March 6

Beginning in 2008, restricted stock units were granted instead of restricted stock shares. Upon vesting, named executives will receive a cash payment equal to the amount of dividends that would have otherwise been paid from the date of grant on an equivalent number of shares.

Table of Contents

The vesting dates for the performance units are as follows:

Award Year	Vesting Period	Vesting Date
2011 and 2012	50% 1 year from grant and 50% 3 years from grant date	February 28
2013	100% approximately 3 years from grant date	February 5

(3)

The following table provides the number of unvested restricted stock shares or units by vesting date for each named executive as of December 31, 2013.

Vesting Date	David T. Seaton	Biggs C. Porter	Stephen B. Dobbs	David R. Dunning	Carlos M. Hernandez
February 5, 2014	1,000		2,200	490	
March 6, 2014	37,152	3,978	6,769	5,114	7,082
April 9, 2014		20,395			
May 7, 2014		3,927			
February 5, 2015	762		3,954	374	
March 6, 2015	27,436	3,978	4,886	3,859	5,199
April 9, 2015		20,395			
May 7, 2015		3,927			
June 1, 2015				7,037	
March 6, 2016	14,826	3,978	2,577	2,260	2,712
Total	**81,176**	**60,578**	**20,386**	**19,134**	**14,993**

The following table includes the unvested performance units granted under the 2011, 2012 and 2013 VDI programs. These units have been adjusted for actual performance at the end of the performance period (December 31, 2011, December 31, 2012 and December 31, 2013, respectively).

	Unvested Performance Units			
	2011 VDI	2012 VDI	2013 VDI	Total
David T. Seaton	29,732	27,889	58,282	115,903
Biggs C. Porter		8,685	15,638	24,323
Stephen B. Dobbs	5,609	5,107	10,129	20,845
David R. Dunning	3,740	3,536	8,885	16,161
Carlos M. Hernandez	5,609	5,500	10,663	21,772

(4)

The market value in the Market Value of Shares or Units of Stock That Have Not Vested column (h) is determined by multiplying the number of shares by the closing price ($80.29) of the company's common stock on the New York Stock Exchange on December 31, 2013, the last trading day of the fiscal year.

Table of Contents

OPTION EXERCISES AND STOCK VESTED IN 2013

The following table provides information on the option exercises by and restricted stock shares, restricted stock units and VDI award vestings for the named executives in 2013.

(a)	(b)	(c)	(d)	(e)
	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise	Value Realized on Exercise	Number of Shares Acquired on Vesting	Value Realized on Vesting
Name	(#)	($)	(#)	($)
David T. Seaton	193,119	$2,941,741	72,242	$4,533,545
Biggs C. Porter	0	$0	33,007	$2,035,030
Stephen B. Dobbs	0	$0	25,718	$1,634,095
David R. Dunning	32,597	$1,093,516	9,829	$614,519
Carlos M. Hernandez	35,109	$785,762	14,549	$908,275

A portion of the shares reported under Number of Shares Acquired on Exercise and Number of Shares Acquired on Vesting are withheld or sold on behalf of the named executive upon exercise or vesting to satisfy exercise costs and tax withholding obligations, and are included in the Value Realized on Exercise and Value Realized on Vesting columns.

Table of Contents

PENSION BENEFITS

The company provides a pension plan, which is a cash balance qualified defined benefit plan, generally available to most U.S. salaried employees employed prior to December 31, 2009, including all named executives (other than Mr. Porter who is not a participant in the plan because he was not employed prior to December 31, 2009). On September 2, 2011, the Board of Directors approved an amendment to the plan to freeze the accrual of future company contributions to eligible participants on December 31, 2011. Interest credits on accumulated benefits as of December 31, 2011 continue to accrue in accordance with the terms of the plan.

The amounts in the Present Value of Accumulated Benefit column (d) represent the present value of accumulated benefits as of the fiscal year ended December 31, 2013. The Number of Years of Credited Service in column (c) represents the years of service at the time the plan was frozen on December 31, 2011. The actuarial values were calculated using a discount rate of 4.95%, a future annual interest credit rate of 3.00%, assumed benefit commencement age of 65 and a lump sum form of payment.

(a) Name	(b) Plan Name	(c) Number of Years Credited Service (#)	(d) Present Value of Accumulated Benefit ($)
David T. Seaton	Pension Plan	25	$118,218
Biggs C. Porter	Pension Plan	0	$0
Stephen B. Dobbs	Pension Plan	30	$153,841
David R. Dunning	Pension Plan	33	$176,471
Carlos M. Hernandez	Pension Plan	3	$30,512

No amounts were credited to the pension plan accounts of any of the named executives until after the pension plan became effective on January 1, 1999. Effective December 31, 2011, no further company contributions were credited to any of the named executives' pension plan accounts. As of January 1, 2012, a new company contribution was introduced to the named executives' defined contribution plan benefit, generally available to most U.S. salaried employees.

The normal form of payment from the pension plan is a 50% Joint & Survivor Annuity for married participants and a Single Life Annuity for unmarried participants. A lump sum payment option is also available. Payments are permitted upon retirement at age 65 or upon retirement with the service and age combination as defined in the chart below. Mssrs. Dobbs and Dunning are eligible for early retirement.

Age	Years of Accumulated Service Immediately Preceding Retirement
60 - 64	5
59	8
58	11
57	13
56	14
55	15
Any Age	30

Table of Contents

NONQUALIFIED DEFERRED COMPENSATION

All U.S. executives, including named executives, are eligible to defer compensation into the Executive Deferred Compensation Program ("EDCP"), which has a number of components. Executives may defer up to 100% of base salary, annual incentive awards and VDI payments elected to be paid in cash. The EDCP also allows executives to contribute between 1% and 20% of base salary to the Excess 401(k) portion of the plan, which allows contributions in excess of the IRC limits for qualified retirement plans.

In addition, the company contributes to the Excess 401(k) portion of the plan any amounts that would have been contributed by the company to the 401(k) plan as matching or discretionary retirement contributions that are in excess of the IRC compensation limit on contributions or were lessened by an election to defer base salary. In 2013, the company matched the first 5% of salary deferred to the 401(k) Plan or Excess 401(k) Plan and made a discretionary contribution of 4% to 7% of base salary depending of years of services. Most U.S. salaried employees were eligible for the 5% match and most received the 4% to 7% discretionary retirement contribution in 2013. Annual enrollment for the EDCP is in December, and elections are made with respect to compensation to be earned in the following year.

The table below shows the deemed investment choices available to the executives in the EDCP and their annual rate of return for the calendar year ended December 31, 2013, as reported by the administrator of the EDCP. The company does not guarantee the rates of return. The executives are provided the opportunity to make changes to their deemed investments on a daily basis.

Fund	Rate of Return	Fund	Rate of Return
Advisor Managed Portfolio Conservative Allocation	1.52%	Hartford Capital Appreciation HLS IA Shares	39.09%
Advisor Managed Portfolio Moderate Allocation	5.17%	Vanguard 500 Index Admiral Shares	32.33%
Advisor Managed Portfolio Moderate Growth Allocation	11.04%	Vanguard PRIMECAP Admiral Shares	39.86%
Advisor Managed Portfolio Growth Allocation	17.11%	Hartford Mid-Cap Value HLS IA Shares	34.75%
Advisor Managed Portfolio Aggressive Allocation	23.85%	Vanguard Mid-Cap Index Investor Shares	35.00%
Fidelity Spartan Money Market	0.01%	JPMorgan U.S. Small Company Select Shares	40.32%
Federated U.S. Treasury Cash Reserves Instl Service Shares	0.00%	Northern Small Cap Index	38.64%
PIMCO Real Return Institutional Class	(9.04%)	MFS New Discovery I Shares	41.16%
Hartford Total Return Bond HLS IA Shares	(1.33%)	American Funds New Perspective Class A	26.77%
MFS High Income A Shares	6.29%	Vanguard International Growth Admiral Shares	23.12%
Vanguard Wellington Admiral Shares	19.76%	Delaware Emerging Markets Instl Shares	14.00%
Hartford Value HLS IA Shares	31.91%	Vanguard REIT Index Admiral Shares	2.42%

For amounts deferred on or after January 1, 2005, distribution elections are made in conjunction with the plan year deferral elections. Distributions can be elected as a lump sum payment or in up to ten annual installments. Distribution payments are made in the month following retirement or termination, with the exception of officers of the company, for whom no distributions will be made prior to six months after retirement or termination. In addition, executives can elect to receive a scheduled in-service distribution as a lump sum or in up to ten annual installments, with the payments commencing no sooner than one year following the end of the plan year of the deferral.

Distributions related to amounts deferred prior to January 1, 2005 are made at the time of retirement or termination and can be elected as a lump sum payment or in up to twenty annual

Table of Contents

installments. Executives can elect to have their distributions commence either in the year of their retirement or termination or the January following their retirement or termination.

The table below shows executive and company contributions made to the EDCP for each named executive as well as the aggregate earnings and aggregate balance at 2013 year-end in the EDCP.

(a) Name	(b) Executive Contributions in Last Fiscal Year ($)[1]	(c) Registrant Contributions in Last Fiscal Year ($)[2]	(d) Aggregate Earnings (Loss) in Last Fiscal Year ($)[3]	(e) Aggregate Balance at December 31, 2013 ($)[4]
David T. Seaton	$151,879	$99,801	$550,136	$2,936,373
Biggs C. Porter	$28,976	$24,711	$1,522	$55,209
Stephen B. Dobbs	$192,754	$42,889	$1,220,786	$8,337,961
David R. Dunning	$0	$762,898[5]	$232,412	$1,888,191
Carlos M. Hernandez	$87,395	$31,003	$206,485	$2,616,163

(1) The amounts in column (b) represent contributions by each named executive in 2013. Contributions were made as follows to the Excess 401(k) portion of the EDCP and are included in the Summary Compensation Table on page 40 in the Salary column (c) for 2013: Mr. Seaton, $151,879; Mr. Porter, $28,976; Mr. Dobbs, $20,368; and Mr. Hernandez, $87,395.

(2) The amounts in column (c) represent contributions by the company in 2013 for the named executives and include matching and discretionary contributions into the Excess 401(k) portion of the plan for the portion of base salary that was in excess of the IRC compensation limit on contributions. All amounts in column (c) are reported in the All Other Compensation column (i) of the Summary Compensation Table on page 40 and in the Company Contributions to Qualified and Nonqualified Defined Contribution Plans column (b) of the All Other Compensation table on page 42.

(3) None of the deemed investment earnings on vested or unvested deferred compensation, represented in column (d), are reflected in the Summary Compensation Table because the company does not provide above market or guaranteed returns on nonqualified deferred compensation.

(4) The amounts in column (e) represent the fully vested EDCP balance as of December 31, 2013 for Mssrs. Seaton, Porter, Dobbs and Hernandez and include amounts deferred in previous years. For Mssrs. Seaton and Dobbs, these amounts also include the value of their deferred retention awards that vested in 2013. For Mr. Dunning, the amount in column (e) represents $805,318 that is unvested and $1,082,873 that is fully vested and includes amounts deferred in previous years. These amounts include contributions reported in the summary compensation tables from 2011 and 2012 as follows: Mr. Seaton, $270,439; Mr. Dobbs, $19,109; and Mr. Hernandez, $165,199.

(5) The amount in column (c) for Mr. Dunning includes the $750,000 deferred cash retention award made to him in 2013 as described in the New Hire and Retention Agreements discussion on page 45.

Table of Contents

POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE IN CONTROL

The tables below reflect the amount of compensation that would become payable to each of the named executives under existing plans and arrangements if the named executive's employment had terminated on December 31, 2013, given their compensation and service levels as of such date and, if applicable, based on the company's closing stock price on that date. These benefits are in addition to amounts previously earned and to which they are entitled, regardless of the occurrence of any termination of employment, including then-exercisable stock options and vested amounts contributed or credited under the Executive Deferred Compensation Program, as well as benefits generally available to all salaried employees, such as amounts accrued and vested through the company's retirement plans and payout of any accrued time off with pay (collectively, the "Pre-Termination Benefits"). Named executives are entitled to receive the Pre-Termination Benefits regardless of the manner in which their employment is terminated. As described under the scenarios set forth below, additional amounts may be received upon termination, except a termination for cause, in which case, no additional amounts would be received.

The actual amounts that would be paid upon a named executive's termination of employment can only be determined at the time of such executive's separation from the company. Due to the number of factors that affect the nature and amount of any benefits provided upon the events discussed below, any actual amounts paid or distributed may be higher or lower than reported below. Factors that could affect these amounts include the timing during the year of any such event, the company's stock price and the executive's age. In addition, in connection with any actual termination of employment, the company may determine to enter into an agreement or to establish an arrangement providing additional benefits or amounts, or to alter the terms of benefits described below, as the Committee determines appropriate.

Payments Made Upon Voluntary Termination/Retirement

As of December 31, 2013, Mr. Dobbs and Mr. Dunning are eligible for retirement as defined in the Pension Benefits table on page 49. For Mssrs. Dobbs and Dunning, it is assumed that in the case of voluntary termination, they would elect retirement from the company. Named executives not eligible for retirement would receive no additional compensation upon voluntary termination, other than their Pre-Termination Benefits.

In the event of the voluntary termination of a named executive who is eligible for retirement as defined in the Pension Benefits table on page 49, in addition to the Pre-Termination Benefits:

- restrictions will lapse on unvested restricted stock shares granted prior to 2008; and
- upon the named executive signing a non-competition agreement and assuming the named executive has held the award for at least one year from the date of grant, restrictions will continue to lapse on the dates set forth in the award agreements on unvested restricted stock units granted in 2008 and later, and the unvested options and VDI units granted in 2008 and later will continue to vest on the dates set forth in the agreements.

Amounts reported in the tables below assume that the above requirements have been met.

Payments Made Upon Not for Cause Termination

In the event of the termination without cause of a named executive, in addition to the Pre-Termination Benefits and, for retirement eligible named executives, the items identified above under the heading "Payments Made Upon Voluntary Termination/Retirement," the named executive will receive a cash severance benefit calculated as two weeks of base pay per year of service, with a

Table of Contents

minimum severance benefit of eight weeks and a maximum severance benefit of fifty-two weeks. In addition:

- any outstanding retention awards will become immediately vested; and
- upon Committee approval, the named executive may receive any annual incentive award earned during the fiscal year.

Amounts reported in the tables below assume that the Committee has approved the annual incentive payment at target, although the Committee retains discretion not to do so.

Payments Made Upon a Termination in Connection with a Change in Control

In the event of a qualifying termination of a named executive within two (2) years following a Change in Control, in addition to the Pre-Termination Benefits:

- named executives will receive a lump sum cash payment equal to the sum of the named executive's highest annual base salary during the three (3) years immediately preceding termination plus target annual incentive for the year, multiplied by 3.0 in the case of Mr. Seaton and 2.0 for other named executives;
- the named executives will receive the annual incentive earned during the fiscal year in which the termination occurs, prorated through the last full month worked by the named executive during the year of termination;
- any equity-based compensation awards, other than performance-based equity awards, will become fully vested and exercisable or settled;
- any performance-based equity awards, to the extent applicable performance criteria are met, shall be earned on a pro rata basis based on the number of full months worked during the performance period;
- any outstanding retention awards will become immediately vested; and
- any remaining unvested VDI will be paid or issued as earned.

A qualifying termination, generally, is a termination of the named executive without cause or a resignation by the named executive for good reason. "Cause" means the named executive's (i) fraud, (ii) conviction of a felony, (iii) material failure or refusal to perform his job duties in accordance with company policies or (iv) a material violation of company policy that causes substantial harm to the company or its subsidiaries. "Good reason" includes a material diminution of the named executive's aggregate compensation or his authority, duties or responsibilities (including as a result of a material diminution of the budget over which he retains authority) but may also be triggered by a material breach of any agreement (including the change in control agreement) under which he provides services to the company.

No gross up for excise taxes, if any, is payable under the change in control agreements. The company will, however, automatically reduce any payments under the agreement to the extent necessary to prevent payments being subject to the excise tax, but only if by reason of the reduction, the after-tax benefit of the reduced payments exceeds the after-tax benefit if such reduction were not made.

Payments Made Upon Death or Termination in Connection with Disability

In the event of death of a named executive or termination of employment of a named executive as a result of total and permanent disability, the payments would be the same as the Payments Made Upon a Termination in Connection with a Change in Control, with the exception of the lump sum cash payment outlined in the first bullet above.

The following tables show the potential payments that would be due each named executive upon a voluntary termination; a termination without cause; a termination in connection with a change in control; and death or termination in connection with disability.

Table of Contents

David T. Seaton Not eligible for retirement	**Voluntary Termination of Employment/Retirement**	**Not for Cause Termination of Employment**	**Termination of Employment in Connection with a Change in Control**	**Death or Termination due to Disability**
Cash Severance Benefit	$0(1)	$1,200,000(2)	$8,280,000(3)	$0(1)
Retention Award				
Annual Incentive Award	$0(4)	$1,560,000(5)	$1,560,000(6)	$1,560,000(7)
Long Term Incentive Awards				
Stock Options	$0(8)	$0(8)	$1,684,955(9)	$1,684,955(9)
Restricted Stock Shares/Units	$0(8)	$0(8)	$2,946,482(9)	$2,946,482(9)
Value Driver Incentive (VDI)	$0(8)	$0(8)	$4,626,390(9)	$4,626,390(9)
Total Value of Payments	**$0**	**$2,760,000**	**$19,097,827**	**$10,817,827**

Biggs C. Porter Not eligible for retirement	**Voluntary Termination of Employment/Retirement**	**Not for Cause Termination of Employment**	**Termination of Employment in Connection with a Change in Control**	**Death or Termination due to Disability**
Cash Severance Benefit	$0(1)	$122,000(2)	$2,934,200(3)	$0(1)
Hiring Bonus	$0	$3,275,029(10)	$3,275,029(10)	$3,275,029(10)
Annual Incentive Award	$0(4)	$674,100(5)	$674,100(6)	$674,100(7)
Long Term Incentive Awards				
Stock Options	$0(8)	$0(8)	$584,108(9)	$584,108(9)
Restricted Stock Shares/Units	$0(8)	$0(8)	$630,598(9)	$630,598(9)
Value Driver Incentive (VDI)	$0(8)	$0(8)	$697,319(9)	$697,319(9)
Total Value of Payments	**$0**	**$4,071,129**	**$8,795,354**	**$5,861,154**

Stephen B. Dobbs Eligible for retirement	**Voluntary Termination of Employment/Retirement**	**Not for Cause Termination of Employment**	**Termination of Employment in Connection with a Change in Control**	**Death or Termination due to Disability**
Cash Severance Benefit	$0(1)	$623,000(2)	$2,305,200(3)	$0(1)
Retention Award				
Annual Incentive Award	$0(4)	$529,600(5)	$529,600(6)	$529,600(7)
Long Term Incentive Awards				
Stock Options	$311,495(8)	$311,495(8)	$311,495(9)	$311,495(9)
Restricted Stock Shares/Units	$1,016,070(8)	$1,016,070(8)	$1,016,070(9)	$1,016,070(9)

Value Driver Incentive (VDI)	$860,388[8]	$860,388[8]	$860,388[9]	$860,388[9]
Total Value of Payments	**$2,187,953**	**$3,340,553**	**$5,022,753**	**$2,717,553**

Table of Contents

David R. Dunning Eligible for retirement	**Voluntary Termination of Employment/Retirement**	**Not for Cause Termination of Employment**	**Termination of Employment in Connection with a Change in Control**	**Death or Termination due to Disability**
Cash Severance Benefit	$0(1)	$500,000(2)	$1,850,000(3)	$0(1)
Retention Award	$0	$1,370,318(10)	$1,370,318(10)	$1,370,318(10)
Annual Incentive Award	$0(4)	$425,000(5)	$425,000(6)	$425,000(7)
Long Term Incentive Awards				
Stock Options	$214,261(8)	$214,261(8)	$214,261(9)	$214,261(9)
Restricted Stock Shares/Units	$426,902(8)	$426,902(8)	$426,902(9)	$426,902(9)
Value Driver Incentive (VDI)	$584,190(8)	$584,190(8)	$584,190(9)	$584,190(9)
Total Value of Payments	**$1,225,353**	**$3,520,671**	**$4,870,671**	**$3,020,671**

Carlos M. Hernandez Not eligible for retirement	**Voluntary Termination of Employment/Retirement**	**Not for Cause Termination of Employment**	**Termination of Employment in Connection with a Change in Control**	**Death or Termination due to Disability**
Cash Severance Benefit	$0(1)	$135,692(2)	$2,175,600(3)	$0(1)
Retention Award				
Annual Incentive Award	$0(4)	$499,800(5)	$499,800(6)	$499,800(7)
Long Term Incentive Awards				
Stock Options	$0(8)	$0(8)	$331,313(9)	$331,313(9)
Restricted Stock Shares/Units	$0(8)	$0(8)	$550,549(9)	$550,549(9)
Value Driver Incentive (VDI)	$0(8)	$0(8)	$891,942(9)	$891,942(9)
Total Value of Payments	**$0**	**$635,492**	**$4,449,204**	**$2,273,604**

(1) Severance is not paid in the event of voluntary termination/retirement, death or disability.

(2) The named executive is provided a cash severance benefit of two weeks of base salary per year of service upon a termination without cause. The minimum severance benefit is eight weeks and the maximum is 52 weeks of pay. The severance benefit is paid in a lump sum upon termination.

(3) The named executive is provided a lump sum cash payment equal to the sum of the executive's highest annual base salary during the three (3) years immediately preceding termination plus target annual incentive for the year, multiplied by 3.0 in the case of Mr. Seaton and 2.0 for other named executives.

(4)

The named executive forfeits any portion of the award earned in the year of termination/retirement.

(5) Upon Committee approval, the named executive may receive any annual incentive award earned during the fiscal year. This amount represents the 2013 annual incentive target.

(6) The named executive will receive an annual incentive payment earned for the current year under the Amended & Restated 2008 Executive Performance Incentive Plan, prorated for whole months worked. This amount represents the 2013 annual incentive target.

(7) Upon approval, the named executive may receive any annual incentive award earned during the fiscal year. This amount represents the 2013 annual incentive target and assumes approval.

Table of Contents

(8)

For Mssrs. Dobbs and Dunning, who are retirement eligible, this amount represents the value of unvested options, restricted shares, restricted units and VDI units on December 31, 2013 based on the closing price of the company's common stock on December 31, 2013 ($80.29) that they would have received if their voluntary retirement had occurred on December 31, 2013. The value of the awards made in 2013 is not included in this amount because the awards would have been forfeited if Mssrs. Dobbs and Dunning had retired on or before December 31, 2013. The value of such awards as of December 31, 2013 is shown below:

Name	Stock Options	Restricted Stock Shares and Units	Value Driver Incentive (VDI)
Stephen B. Dobbs	$519,532	$620,722	$813,257
David R. Dunning	$455,721	$544,366	$713,377

In the case of each of Mssrs. Seaton, Porter and Hernandez, pursuant to the terms of the applicable plan(s), they would forfeit any unvested options, shares and units because they are ineligible for retirement.

(9)

This amount represents the value of unvested options, shares, units and VDI on December 31, 2013 based on the closing price of the company's common stock on December 31, 2013 ($80.29), which become vested in the event of a qualified termination within two (2) years following a change in control; or upon death or a termination due to total and permanent disability, as long as the award had been held for at least one year. Any remaining unvested VDI is paid out at the Committee-approved performance ratings. The value of the awards made in 2013 is not included in this amount because these awards would have been forfeited as of December 31, 2013 upon the occurrence of the events noted above. The value of such awards, as of December 31, 2013 is shown below:

Name	Stock Options	Restricted Stock Shares/Units	Value Driver Incentive (VDI)
David T. Seaton	$2,989,456	$3,571,139	$4,679,462
Biggs C. Porter	$802,075	$958,181	$1,255,575
Stephen B. Dobbs	$519,532	$620,722	$813,257
David R. Dunning	$455,721	$544,366	$713,377
Carlos M. Hernandez	$546,888	$653,239	$856,132

(10)

Pursuant to the terms of the named executive's retention agreement and related award and plan documents, restrictions lapse on unvested restricted stock units; and any unvested deferred cash portion of the retention award along with any accrued gains or losses will vest. As of December 31, 2013, the values of the unvested restricted stock unit awards, based on the closing price of the company's common stock on December 31, 2013 ($80.29), were as follows: Mr. Porter, $3,275,029; Mr. Dunning, $565,001; and the unvested deferred cash for Mr. Dunning was $805,318.

Table of Contents

DIRECTOR COMPENSATION

Our compensation philosophy for non-management directors is consistent with the philosophy established for the company's named executives. The compensation program is designed to attract and retain directors with the necessary experience to represent the company's stockholders and to advise the company's executive management. The compensation program is also designed to align the Board of Directors' interests with the interests of stockholders over the long term. The company uses a combination of cash and stock-based awards to compensate non-management directors and targets the 50th percentile of compensation survey data from the companies included in the Compensation Peer Group as well as companies from similar industry segments and general industry. Directors who are employees of the company receive no compensation for their service as directors.

Cash Compensation Paid to Board Members

Non-management directors receive an annual cash retainer of $115,000, paid quarterly. The chair of the Audit Committee receives an additional annual cash retainer in the amount of $20,000; the chairs of the Organization and Compensation and Governance Committee receive an additional annual cash retainer in the amount of $15,000; and the Lead Independent Director receives an additional annual cash retainer in the amount of $30,000.

Stock-Based Compensation Paid to Board Members

Non-management directors receive an annual grant of restricted stock shares and restricted stock units with a total market value (based on the fair market value of the company's common stock on the New York Stock Exchange on the date of grant) of $135,000 as of the date of the annual meeting of stockholders. Restrictions on the 2013 awards lapse after one year. If a director leaves the Board prior to the vesting, the portion of any award remaining subject to restrictions is forfeited. Restrictions immediately lapse and the stock vests, however, if an award has been held for at least six (6) months and a director attains the age for mandatory retirement (currently 72 years of age), obtains approval for early retirement, dies, becomes permanently and totally disabled or ceases to serve dutop:1px solid #000000;">

Six Months Ended
June 30,
Loss from Discontinued Operations

2015

2014

2015

2014
Revenues from product sales and services

$
142.7

$
179.2

$
259.3

$
345.4

Cost of goods sold and operating expenses

(167.0
)

(231.9
)

(274.3
)

(446.5
)
Sales margin

(24.3
)

(52.7
)

(15.0
)

(101.1
)
Other operating expense

(7.1
)

(5.1
)

(18.3
)

(9.6
)
Other expense

(0.5
)

(0.4
)

(1.0
)

(1.0
)
Loss from discontinued operations before income taxes

(31.9
)

(58.2
)

(34.3
)

(111.7
)
Impairment of long-lived assets

—

—

(73.4
)

—

Income tax benefit

0.4

40.5

0.5

47.9

Loss from discontinued operations, net of tax

$
(31.5
)

$
(17.7
)

$
(107.2
)

$
(63.8
)

36

Table of Contents

Items Measured at Fair Value on a Non-Recurring Basis

The following table presents information about the impairment charge on non-financial assets that was measured on a fair value basis at March 31, 2015. There were no financial and non-financial assets and liabilities that were measured on a non-recurring fair value basis at June 30, 2015. The table also indicates the fair value hierarchy of the valuation techniques used to determine such fair value.

Description	(In Millions) March 31, 2015 Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total	Total Losses
Assets:					
Other long-lived assets - Property, plant and equipment and Mineral rights: North American Coal operating unit	$—	$—	$20.4	$20.4	$(73.4)
	$—	$—	$20.4	$20.4	$(73.4)

In the first quarter of 2015, as part of the held for sale classification assigned to North American Coal, an impairment of $73.4 million was recorded. The impairment charge was to reduce the assets to their estimated fair value which was determined based on potential sales scenarios. We determined the fair value and recoverability of our North American Coal operating segment by comparing the estimated fair value of the underlying assets and liabilities to the estimated sales price of the operating segment held for sale. No further impairment was recorded in the second quarter of 2015.

Recorded Assets and Liabilities

Assets and Liabilities of Discontinued Operations	(In Millions) June 30, 2015	December 31, 2014
Accounts receivable, net	$39.7	$44.8
Inventories	24.3	50.3
Supplies and other inventories	28.3	28.2
Other current assets	23.4	20.5
Property, plant and equipment, net	26.7	94.7
Other non-current assets	8.1	35.7
Total assets of discontinued operations	$150.5	$274.2
Accounts payable	$27.9	$22.4
Accrued liabilities	15.7	27.9
Other current liabilities	27.8	31.0
Pension and postemployment benefit liabilities[1]	58.6	55.8
Environmental and mine closure obligations	34.9	33.9
Other liabilities	32.0	36.2
Total liabilities of discontinued operations	$196.9	$207.2

[1] This does not include a liability of approximately $330 million, which is the most recent estimate of Pinnacle and Oak Grove's combined share of the underfunded liability under the UMWA 1974 Pension Plan.

Table of Contents

Income Taxes

We have recognized a tax benefit of $0.4 million and $0.5 million for the three and six months ended June 30, 2015, respectively, in discontinued operations, which primarily relate to a loss on our North American Coal investments.

Canadian Operations

Background

On November 30, 2013, we suspended indefinitely our Chromite Project in Northern Ontario. The Chromite Project remained suspended throughout 2014 and until final sale in 2015. Our Wabush Scully iron ore mine in Newfoundland and Labrador was idled by the end of the first quarter of 2014 and subsequently began to commence permanent closure in the fourth quarter of 2014. During 2014, we also limited exploration spending on the Labrador Trough South property in Québec. In November 2014, we announced that we were pursuing exit options for our Eastern Canadian Iron Ore operations. In December 2014, iron ore production at the Bloom Lake mine was suspended and the Bloom Lake mine was placed in "care-and-maintenance" mode. Together, the suspension of exploration efforts, shutdown of the Wabush Scully mine and the cessation of operations at our Bloom Lake mine represent a complete curtailment of our Canadian operations.

On January 27, 2015, we announced that the Bloom Lake Group commenced restructuring proceedings (the "Bloom Filing") under the CCAA with the Québec Superior Court (Commercial Division) in Montreal (the “Court”). The Bloom Lake Group was no longer generating revenues and was not able to meet its obligations as they came due. The Bloom Filing addressed the Bloom Lake Group's immediate liquidity issues and permits the Bloom Lake Group to preserve and protect its assets for the benefit of all stakeholders while restructuring and sale options are explored. As part of the CCAA process, the Court approved the appointment of a monitor and certain other financial advisors.

Additionally, on May 20, 2015, we announced that the Wabush Group commenced restructuring proceedings (the "Wabush Filing") in the Court under the CCAA. As a result of this action the CCAA protection granted to the Bloom Lake Group was extended to include the Wabush Group to facilitate the reorganization of each of their businesses and operations. The Wabush Group was no longer generating revenues and was not able to meet its obligations as they came due. Including the Wabush Group in the existing Bloom Filing will facilitate a more comprehensive restructuring and sale process of both the Bloom Lake Group and the Wabush Group which collectively include mine, port and rail assets and will lead to a more effective and streamlined exit from Eastern Canada. The Wabush Filing will also mitigate various legacy related long-term liabilities associated with the Wabush Group. As part of the Wabush Filing, the Court approved the appointment of a monitor and certain other financial advisors. The monitor of the Wabush Group is also the monitor of the Bloom Lake Group.

As a result of the Bloom Filing on January 27, 2015, we no longer have a controlling interest in the Bloom Lake Group. For that reason, we deconsolidated the Bloom Lake Group and certain other wholly-owned subsidiaries effective January 27, 2015, which resulted in a pretax impairment loss on deconsolidation and other charges, totaling $818.7 million that was recorded in the first quarter of 2015. The pretax loss on deconsolidation includes the derecognition of the carrying amounts of the Bloom Lake Group and certain other wholly-owned subsidiaries assets, liabilities and accumulated other comprehensive loss and the recording of our remaining interests at fair value.

As a result of the Wabush Filing, we deconsolidated certain Wabush Group wholly-owned subsidiaries effective May 20, 2015. The certain wholly-owned subsidiaries deconsolidated effective May 20, 2015 are Wabush Group entities that were not deconsolidated as part of the deconsolidation effective January 27, 2015 as discussed previously in this section. This deconsolidation, effective May 20, 2015, resulted in a pretax gain on deconsolidation and other charges, totaling $134.7 million. The pretax gain on deconsolidation includes the derecognition of the carrying amounts of these certain deconsolidated Wabush Group wholly-owned subsidiaries' assets, liabilities and accumulated other comprehensive loss and the adjustment of our remaining interests in the Canadian Entities to fair value.

Subsequent to each of the deconsolidations discussed above, we utilized the cost method to account for our investment in the Bloom Lake Group, Wabush Group and certain other wholly-owned subsidiaries (collectively, the "Canadian Entities"), which has been reflected as zero in our Statements of Unaudited Condensed Consolidated Financial Position as of June 30, 2015 based on the estimated fair value of the Canadian Entities' net assets. Loans to and accounts receivable from the Canadian Entities are recorded at an estimated fair value of $94.5 million classified as

Other current assets in the Statements of Unaudited Condensed Consolidated Financial Position as of June 30, 2015.

Table of Contents

Loss on Discontinued Operations

Our Canadian exit represents a strategic shift in our business. For this reason, our previously reported Eastern Canadian Iron Ore and Ferroalloys operating segment results for all periods prior to the respective deconsolidations as well as costs to exit are classified as discontinued operations.

	(In Millions)			
	Three Months Ended June 30,		Six Months Ended June 30,	
Loss from Discontinued Operations	2015	2014	2015	2014
Revenues from product sales and services	$—	$174.0	$11.3	$332.3
Cost of goods sold and operating expenses	—	(212.5)	(11.1)	(420.5)
Eliminations with continuing operations	—	(0.3)	—	(29.0)
Sales margin	—	(38.8)	0.2	(117.2)
Other operating expense	(0.5)	(54.5)	(33.8)	(113.0)
Other expense	—	(1.6)	(1.0)	(3.0)
Loss from discontinued operations before income taxes	(0.5)	(94.9)	(34.6)	(233.2)
Gain (loss) from deconsolidation	134.7	—	(684.0)	—
Income tax benefit	0.7	36.2	0.7	80.2
Income (loss) from discontinued operations, net of tax	$134.9	$(58.7)	$(717.9)	$(153.0)

For the three months ended June 30, 2015, Canadian Entities gain from deconsolidation totaled $134.7 million and for the six months ended June 30, 2015, Canadian Entities loss from deconsolidation totaled $684.0 million and included the following:

	(In Millions)	
	Three Months Ended June 30, 2015	Six Months Ended June 30, 2015
Investment impairment on deconsolidation[1]	$(4.4)	$(480.4)
Contingent liabilities	139.1	(203.6)
Total gain (loss) from deconsolidation	$134.7	$(684.0)

[1] Includes the adjustment to fair value of our remaining interest in the Canadian Entities

Investments in the Canadian Entities

Cliffs continues to indirectly own a majority of the interest in the Canadian Entities but has deconsolidated those entities because Cliffs no longer has a controlling interest. At the respective date of deconsolidation, January 27, 2015 or May 20, 2015 and subsequently at each reporting period, we adjusted our investment in the Canadian Entities to fair value with a corresponding charge to INCOME (LOSS) FROM DISCONTINUED OPERATIONS, net of tax. As the estimated amount of the Canadian Entities' liabilities exceeded the estimated fair value of the assets available for distribution to its creditors, the fair value of Cliffs' equity investment is approximately zero.

Amounts Receivable from the Canadian Entities

Prior to the deconsolidations, various Cliffs wholly-owned entities made loans to the Canadian Entities for the purpose of funding its operations and had accounts receivable generated in the ordinary course of business. The loans, corresponding interest and the accounts receivable were considered intercompany transactions and eliminated in our consolidated financial statements. Since the deconsolidations, the loans, associated interest and accounts receivable are considered related party transactions and have been recognized in our consolidated financial statements at their estimated fair value of $94.5 million classified as Other current assets in the Statements of Unaudited Condensed Consolidated Financial Position at June 30, 2015.

Table of Contents

Contingent Liabilities

Certain liabilities consisting primarily of equipment loans and environmental obligations of the Canadian Entities were secured through corporate guarantees and standby letters of credit. As of June 30, 2015, we have liabilities of $120.7 million and $39.8 million, respectively, in our consolidated results, classified as Other current liabilities and Other liabilities in the Statements of Unaudited Condensed Consolidated Financial Position.

Certain joint and several liabilities of various Canadian Entities were stayed as part of the Wabush Group CCAA Filing which resulted in a gain on deconsolidation of $139.1 million for the three and six months ended June 30, 2015.

Contingencies

The recorded expenses include an accrual for the estimated probable loss related to claims that may be asserted against us, primarily under guarantees of certain debt arrangements and leases. The beneficiaries of those guarantees may seek damages or other related relief as a result of our exit from Canada. Our probable loss estimate is based on the expectation that claims will be asserted against us and negotiated settlements will be reached, and not on any determination that it is probable we would be found liable were these claims to be litigated. Given the early stage of our exit, the Bloom Filing on January 27, 2015 and the Wabush Filing on May 20, 2015, our estimates involve significant judgment and are based on currently available information, an assessment of the validity of certain claims and estimated payments by the Canadian Entities. We are not able to reasonably estimate a range of possible losses in excess of the accrual because there are significant factual and legal issues to be resolved. We believe that it is reasonably possible that future changes to our estimates of loss and the ultimate amount paid on these claims could be material to our results of operations in future periods. Any such losses would be reported in discontinued operations.

Items Measured at Fair Value on a Non-Recurring Basis

The following table presents information about the financial assets and liabilities that was measured on a fair value basis at June 30, 2015. The table also indicates the fair value hierarchy of the valuation techniques used to determine such fair value.

	(In Millions)				
	June 30, 2015				
Description	Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total	Total Losses
Assets:					
Loans to and accounts receivables from the Canadian Entities	$—	$—	$94.5	$94.5	$(480.4)
Liabilities:					
Contingent liabilities	$—	$—	$160.5	$160.5	$(203.6)

We determined the fair value and recoverability of our Canadian investments by comparing the estimated fair value of the remaining underlying assets of the Canadian Entities to remaining estimated liabilities. We recorded the contingent liabilities at book value which best approximated fair value.

Outstanding liabilities include accounts payable and other liabilities, forward commitments, unsubordinated related party payables, lease liabilities and other potential claims. Potential claims include an accrual for the estimated probable loss related to claims that may be asserted against the Bloom Lake Group and Wabush Group under certain contracts. Claimants may seek damages or other related relief as a result of the Canadian Entities' exit from Canada. Based on our estimates, the fair value of liabilities exceeds the fair value of assets.

To assess the fair value and recoverability of the amounts receivable from the Canadian Entities, we estimated the fair value of the underlying net assets of the Canadian Entities available for distribution to their creditors in relation to the estimated creditor claims and the priority of those claims.

Our estimates involve significant judgment and are based on currently available information, an assessment of the validity of certain claims and estimated payments made by the Canadian Entities. Our ultimate recovery is subject

Table of Contents

to the final liquidation value of the Canadian Entities. Further, the final liquidation value and ultimate recovery of the creditors of the Canadian Entities, including Cliffs Natural Resources and various subsidiaries, may impact our estimates of contingent liability exposure described previously.

Recorded Assets and Liabilities

Assets and Liabilities of Discontinued Operations	(In Millions) December 31, 2014
Cash and cash equivalents	$19.7
Accounts receivable, net	37.9
Inventories	16.3
Supplies and other inventories	48.5
Income tax receivable	20.1
Other current assets	44.3
Property, plant and equipment, net	249.8
Other non-current assets	19.9
Total Assets	$456.5
Accounts payable	$83.6
Accrued expenses	200.0
Other current liabilities	35.7
Pension and postemployment benefit liabilities	79.8
Environmental and mine closure obligations	56.5
Other liabilities	173.9
Total Liabilities	$629.5

DIP Financing

In connection with the Wabush Filing on May 20, 2015, the Court approved an agreement to provide a debtor-in-possession credit facility (the "DIP financing") to the Wabush Group, which provides for borrowings under the facility up to $10.0 million. As of June 30, 2015, there was $1.4 million drawn and outstanding under the DIP financing funded by Wabush Iron Co. Limited's parent company, Cliffs Mining Company. The DIP financing is secured by a court-ordered charge over the assets of the Wabush Group.

Income Taxes

We have recognized a tax benefit of $0.7 million for the three and six months ended June 30, 2015 in Income (loss) from discontinued operations, net of tax, which primarily relates to the impact of Wabush Iron Co. Limited's deconsolidation on the U.S. provision. Canadian deferred tax assets relating to both historical and current year net operating losses were included in our equity investment in the Canada Subsidiaries that has been reduced to zero.

NOTE 15 - CAPITAL STOCK

Dividends

On February 11, 2014, May 13, 2014, September 8, 2014 and November 19, 2014, our Board of Directors declared the quarterly cash dividend of $17.50 per Preferred Share, which is equivalent to approximately $0.44 per depositary share. The cash dividend was paid on May 1, 2014, August 1, 2014, November 3, 2014, and February 2, 2015 to our Preferred Shareholders of record as of the close of business on April 15, 2014, July 15, 2014, October 15, 2014 and January 15, 2015, respectively. On March 27, 2015, our Board of Directors declared the quarterly cash dividend of $17.50 per Preferred Share, which is equivalent to approximately $0.44 per depositary share. The cash dividend of $12.8 million was paid on May 1, 2015 to our shareholders of record as of the close of business on April 15, 2015. Additionally, on July 1, 2015, our Board of Directors declared the quarterly cash dividend of $17.50 per Preferred Share, which is equivalent to approximately $0.44 per depositary share. This cash dividend of $12.8 million will be paid on August 3, 2015, to our Preferred Shareholders of record as of the close of business on July 15, 2015.

41

Table of Contents

On January 26, 2015, we announced that our Board of Directors had decided to eliminate the quarterly dividend of $0.15 per share on our common shares. The decision was applicable to the first quarter of 2015 and all subsequent quarters. The elimination of the common share dividend provides us with additional free cash flow of approximately $92 million annually, which we intend to use for further debt reduction.
During 2014, a cash dividend of $0.15 per share was paid on March 3, 2014, June 3, 2014, September 2, 2014 and December 1, 2014 to our common shareholders of record as of close of business on February 21, 2014, May 23, 2014, August 15, 2014 and November 15, 2014, respectively.
NOTE 16 - SHAREHOLDERS' EQUITY (DEFICIT)
The following table reflects the changes in shareholders' equity (deficit) attributable to both Cliffs and the noncontrolling interests primarily related to Bloom Lake, Tilden and Empire of which Cliffs owns 82.8 percent, 85 percent and 79 percent, respectively, for the six months ended June 30, 2015 and June 30, 2014:

	(In Millions)		
	Cliffs Shareholders' Equity (Deficit)	Noncontrolling Interest (Deficit)	Total Equity (Deficit)
December 31, 2014	$(1,431.3)	$(303.0)	$(1,734.3)
Comprehensive income			
Net income (loss)	(699.6)	3.1	(696.5)
Other comprehensive income (loss)	216.9	(10.0)	206.9
Total comprehensive loss	(482.7)	(6.9)	(489.6)
Effect of deconsolidation	—	528.2	528.2
Stock and other incentive plans	3.0	—	3.0
Preferred share dividends	(12.8)	—	(12.8)
Distributions to noncontrolling interest	—	(34.7)	(34.7)
June 30, 2015	$(1,923.8)	$183.6	$(1,740.2)

	(In Millions)		
	Cliffs Shareholders' Equity (Deficit)	Noncontrolling Interest (Deficit)	Total Equity (Deficit)
December 31, 2013	$6,069.5	$814.8	$6,884.3
Comprehensive income			
Net income (loss)	(59.4)	3.2	(56.2)
Other comprehensive income	92.7	1.1	93.8
Total comprehensive income	33.3	4.3	37.6
Stock and other incentive plans	(3.1)	—	(3.1)
Common and preferred share dividends	(72.1)	—	(72.1)
Undistributed losses to noncontrolling interest	—	(17.1)	(17.1)
June 30, 2014	$6,027.6	$802.0	$6,829.6

Table of Contents

The following table reflects the changes in Accumulated other comprehensive income (loss) related to Cliffs shareholders' equity for June 30, 2015 and June 30, 2014:

	(In Millions) Changes in Pension and Other Post-Retirement Benefits, net of tax	Unrealized Net Gain (Loss) on Securities, net of tax	Unrealized Net Gain (Loss) on Foreign Currency Translation	Net Unrealized Gain (Loss) on Derivative Financial Instruments, net of tax	Accumulated Other Comprehensive Income (Loss)
Balance December 31, 2014	$(291.1)	$(1.0)	$64.4	$(18.1)	$(245.8)
Other comprehensive income (loss) before reclassifications	9.3	2.8	(14.7)	(7.1)	(9.7)
Net loss (gain) reclassified from accumulated other comprehensive income (loss)	30.3	(2.0)	182.7	6.3	217.3
Balance March 31, 2015	$(251.5)	$(0.2)	$232.4	$(18.9)	$(38.2)
Other comprehensive income before reclassifications	1.3	1.0	1.2	0.5	4.0
Net loss (gain) reclassified from accumulated other comprehensive income (loss)	(1.6)	(0.9)	—	7.8	5.3
Balance June 30, 2015	$(251.8)	$(0.1)	$233.6	$(10.6)	$(28.9)

	(In Millions) Changes in Pension and Other Post-Retirement Benefits, net of tax	Unrealized Net Gain (Loss) on Securities, net of tax	Unrealized Net Gain (Loss) on Foreign Currency Translation	Net Unrealized Gain (Loss) on Derivative Financial Instruments, net of tax	Accumulated Other Comprehensive Income (Loss)
Balance December 31, 2013	$(204.9)	$6.2	$106.7	$(20.9)	$(112.9)
Other comprehensive income (loss) before reclassifications	(0.4)	3.8	40.5	(2.3)	41.6
Net loss reclassified from accumulated other comprehensive income (loss)	3.3	0.1	—	12.8	16.2
Balance March 31, 2014	$(202.0)	$10.1	$147.2	$(10.4)	$(55.1)
Other comprehensive income (loss) before reclassifications	(1.4)	(2.4)	19.7	9.7	25.6
Net loss (gain) reclassified from accumulated other comprehensive income (loss)	4.0	(1.3)	—	6.6	9.3
Balance June 30, 2014	$(199.4)	$6.4	$166.9	$5.9	$(20.2)

Table of Contents

The following table reflects the details about Accumulated other comprehensive income (loss) components related to Cliffs shareholders' equity for the three and six months ended June 30, 2015:

Details about Accumulated Other Comprehensive Income (Loss) Components	(In Millions) Amount of (Gain)/Loss Reclassified into Income				Affected Line Item in the Statement of Unaudited Condensed Consolidated Operations
	Three Months Ended June 30,		Six Months Ended June 30,		
	2015	2014	2015	2014	
Amortization of pension and postretirement benefit liability:					
Prior service costs [1]	$(0.3)	$(0.3)	$(0.6)	$(0.6)	
Net actuarial loss [1]	5.4	4.7	13.9	9.6	
Settlements/curtailments [1]	—	0.9	0.3	1.2	
Effect of deconsolidation [2]	(6.7)	—	15.1	—	Income (Loss) from Discontinued Operations, net of tax
	(1.6)	5.3	28.7	10.2	Total before taxes
	—	(1.3)	—	(2.9)	Income tax benefit (expense)
	$(1.6)	$4.0	$28.7	$7.3	Net of taxes
Unrealized gain (loss) on marketable securities:					
Sale of marketable securities	$—	$(1.9)	$—	$(1.7)	Other non-operating income (expense)
Impairment	(1.2)	—	(3.2)	—	Other non-operating income (expense)
	(1.2)	(1.9)	(3.2)	(1.7)	Total before taxes
	0.3	0.6	0.3	0.5	Income tax benefit (expense)
	$(0.9)	$(1.3)	$(2.9)	$(1.2)	Net of taxes
Unrealized gain (loss) on foreign currency translation:					
Effect of deconsolidation [3]	$—	$—	$182.7	$—	Income (Loss) from Discontinued Operations, net of tax
	—	—	—	—	Income tax benefit (expense)
	$—	$—	$182.7	$—	Net of taxes
Unrealized gain (loss) on derivative financial instruments:					
Australian dollar foreign exchange contracts	$11.1	$5.3	$20.1	$18.3	Product revenues
Canadian dollar foreign exchange contracts	—	4.4	—	9.9	Cost of goods sold and operating expenses
	11.1	9.7	20.1	28.2	Total before taxes
	(3.3)	(3.1)	(6.0)	(8.8)	Income tax benefit (expense)
	$7.8	$6.6	$14.1	$19.4	Net of taxes
Total Reclassifications for the Period	$5.3	$9.3	$222.6	$25.5	

(1) These accumulated other comprehensive income components are included in the computation of net periodic benefit cost. See NOTE 7 - PENSIONS AND OTHER POSTRETIREMENT BENEFITS for further information.

(2) Represents Canadian postretirement benefit liabilities that were deconsolidated. See NOTE 14 - DISCONTINUED OPERATIONS for further information.

(3) Represents Canadian accumulated currency translation adjustments that were deconsolidated. See NOTE 14 - DISCONTINUED OPERATIONS for further information.

Table of Contents

NOTE 17 - CASH FLOW INFORMATION

A reconciliation of capital additions to cash paid for capital expenditures for the six months ended June 30, 2015 and 2014 is as follows:

	(In Millions) Six Months Ended June 30,	
	2015	2014
Capital additions	$46.8	$131.2
Cash paid for capital expenditures	34.4	164.3
Difference	$12.4	$(33.1)
Non-cash accruals	$12.4	$(43.0)
Capital leases	—	9.9
Total	$12.4	$(33.1)

NOTE 18 - RELATED PARTIES

Three of our five U.S. iron ore mines are owned with various joint venture partners that are integrated steel producers or their subsidiaries. We are the manager of each of the mines we co-own and rely on our joint venture partners to make their required capital contributions and to pay for their share of the iron ore pellets that we produce. The joint venture partners are also our customers. The following is a summary of the mine ownership of these iron ore mines at June 30, 2015:

Mine	Cliffs Natural Resources	ArcelorMittal	U.S. Steel Corporation
Empire	79.0%	21.0%	—
Tilden	85.0%	—	15.0%
Hibbing	23.0%	62.3%	14.7%

ArcelorMittal has a unilateral right to put its interest in the Empire mine to us, but has not exercised this right to date. Furthermore, as part of the 2014 Extension Agreement that was entered into among ArcelorMittal and the Company, which amended certain terms of the Restated Empire Iron Mining Partnership Agreement, certain minimum distributions of the partners' equity amounts are required to be made on a quarterly basis beginning in the first quarter of 2015 and will continue through the first quarter of 2017. During the three and six months ended June 30, 2015, we recorded distributions of $31.7 million to ArcelorMittal under this agreement of which $17.1 million was paid as of June 30, 2015.

Product revenues from related parties were as follows:

	(In Millions) Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Product revenues from related parties	$149.6	$205.8	$260.0	$340.2
Total product revenues	454.3	696.3	857.4	1,259.8
Related party product revenue as a percent of total product revenue	32.9%	29.6%	30.3%	27.0%

Amounts due from related parties recorded in Accounts receivable, net and Other current assets, including trade accounts receivable, a customer supply agreement and provisional pricing arrangements, were $18.4 million and $127.6 million at June 30, 2015 and December 31, 2014, respectively. Amounts due to related parties recorded in Accounts payable and Other current liabilities, including provisional pricing arrangements, were $18.3 million at June 30, 2015 and amounts including provisional pricing arrangements and liabilities to related parties were $11.8 million at December 31, 2014.

Table of Contents

NOTE 19 - EARNINGS PER SHARE

The following table summarizes the computation of basic and diluted earnings (loss) per share:

	(In Millions, Except Per Share Amounts)			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Net Income (Loss) from Continuing Operations Attributable to Cliffs Shareholders	$(43.2)	$87.3	$125.5	$157.4
Income (Loss) from Discontinued Operations, net of tax	103.4	(76.4)	(825.1)	(216.8)
Net Income (Loss) Attributable to Cliffs Shareholders	$60.2	$10.9	$(699.6)	$(59.4)
Preferred Stock Dividends	—	(12.8)	(12.8)	(25.6)
Net Income (Loss) Attributable to Cliffs Common Shareholders	$60.2	$(1.9)	$(712.4)	$(85.0)
Weighted Average Number of Shares:				
Basic	153.2	153.1	153.2	153.1
Depositary Shares	—	—	25.2	—
Employee Stock Plans	—	0.8	0.3	0.8
Diluted	153.2	153.9	178.7	153.9
Earnings (Loss) per Common Share Attributable to Cliffs Common Shareholders - Basic:				
Continuing operations	$(0.28)	$0.49	$0.74	$0.86
Discontinued operations	0.67	(0.50)	(5.39)	(1.42)
	$0.39	$(0.01)	$(4.65)	$(0.56)
Earnings (Loss) per Common Share Attributable to Cliffs Common Shareholders - Diluted:				
Continuing operations	$(0.28)	$0.48	$0.70	$0.86
Discontinued operations	0.67	(0.50)	(4.62)	(1.41)
	$0.39	$(0.02)	$(3.92)	$(0.55)

The diluted earnings per share calculation excludes 25.2 million depositary shares that were anti-dilutive for the three months ended June 30, 2015 and the three and six months ended June 30, 2014. Additionally, the diluted earnings per share calculation excludes 0.3 million shares related to equity plan awards that were anti-dilutive for the three months ended June 30, 2015.

NOTE 20 - COMMITMENTS AND CONTINGENCIES

Contingencies

Litigation

We are currently a party to various claims and legal proceedings incidental to our operations. If management believes that a loss arising from these matters is probable and can reasonably be estimated, we record the amount of the loss, or the minimum estimated liability when the loss is estimated using a range, and no point within the range is more probable than another. As additional information becomes available, any potential liability related to these matters is assessed and the estimates are revised, if necessary. Based on currently available information, management believes that the ultimate outcome of these matters, individually and in the aggregate, will not have a material effect on our financial position, results of operations or cash flows. However, litigation is subject to inherent uncertainties, and unfavorable rulings could occur. An unfavorable ruling could include monetary damages, additional funding requirements or an injunction. If an unfavorable ruling were to occur, there exists the possibility of a material impact on the financial position and results of operations of the period in which the ruling occurs, or future periods. However, we believe that any pending litigation will not result in a material liability in relation to our consolidated financial statements.

Table of Contents

NOTE 21 - SUBSEQUENT EVENTS

On July 1, 2015, our Board of Directors declared the quarterly cash dividend of $17.50 per Preferred Share, which is equivalent to approximately $0.44 per depositary share. The cash dividend of $12.8 million will be paid on August 3, 2015, to our Preferred Shareholders of record as of the close of business on July 15, 2015.

Table of Contents

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

Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is designed to provide a reader of our financial statements with a narrative from the perspective of management on our financial condition, results of operations, liquidity and other factors that may affect our future results. We believe it is important to read our MD&A in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2014 as well as other publicly available information.

Overview

Cliffs Natural Resources Inc. is a leading mining and natural resources company in the United States. We are a major supplier of iron ore pellets to the North American steel industry from the five iron ore mines we currently operate located in Michigan and Minnesota. We also operate the Koolyanobbing iron ore mining complex in Western Australia. Additionally, we produce low-volatile metallurgical coal in the U.S. from our mines located in Alabama and West Virginia. Driven by the core values of safety, social, environmental and capital stewardship, our employees endeavor to provide all stakeholders operating and financial transparency.

The key driver of our business is demand for steelmaking raw materials from U.S. steelmakers. In the first half of 2015, the U.S. produced approximately 40 million metric tons of crude steel, or about 5 percent of total global crude steel production. This represents a 9 percent decrease in U.S. crude steel production when compared to the same period in 2014. U.S. total steel capacity utilization was about 73 percent in the first half of 2015, which is an approximate 5 percent decrease from the same period in 2014. Additionally, in the first half of 2015, China produced approximately 410 million metric tons of crude steel, or approximately 50 percent of total global crude steel production. These figures represent less than a 1 percent decrease in Chinese crude steel production when compared to the same period in 2014. Through the first half of 2015, global crude steel production decreased about 2 percent compared to the same period in 2014.

Throughout 2015, the weakness in both the domestic and global steel industries has yet to show signs of meaningful recovery as steel mills' utilization rates have not improved, crude steel production has trended downward and prices have not recovered. We continue to expect this year to be a challenging one for the steel industry as it contends with slowing growth, overcapacity and increased competition.

In China, we believe growth in steel production will be zero to negative. Despite this, major iron ore producers in Australia and Brazil continue to expand supply to the Chinese market with low-cost iron ore, which has driven the seaborne price to ten-year lows. The global price of iron ore has also been driven by mining cost deflation and a sharp fall in Australian and Brazilian currencies versus the U.S. dollar. As such, we expect seaborne iron ore prices will continue to face downward price pressure unless there are vast structural changes to the supply/demand picture, including increased global demand or significant iron ore capacity cuts. This has not only adversely impacted iron ore producers, but also the global steel industry. The Company considers that very low cost iron ore pricing has facilitated inexpensive steel exported out of China and into the U.S. market.

The Platts 62 percent Fe fines spot price decreased 43.1 percent to an average price of $58 per ton for the three months ended June 30, 2015 compared to the second quarter of 2014. In comparison, the year to date Platts 62 percent Fe fines spot pricing also has decreased 45.8 percent to an average price of $60 per ton during the six months ended June 30, 2015. These large decreases in Platts 62 percent Fe fines spot price were driven by insufficient growth in Chinese demand to absorb the additional seaborne supply. The spot price volatility impacts our realized revenue rates, particularly in our Asia Pacific Iron Ore business segment because their contracts correlate heavily to world market spot pricing.

In our core U.S. market, we expect industry demand will be supported by a strong automotive sector and improving housing market; however, this support has been partially offset by the continued weakening of the oil and gas sector as well as destocking of inventories. Moreover, through the first half of the year, the U.S. steel industry faced pressure from surging imports as the strength of the U.S. dollar increased. Through June 30, 2015, finished steel import market share was estimated at 32 percent. Management believes that the strengthening of the U.S. trade enforcement laws for anti-dumping and countervailing duty will help combat this unfair trade issue.

As a result of the long-term contracts, for the three and six months ended June 30, 2015 when compared to the comparable prior year period, our U.S. Iron Ore revenues experienced a realized revenue rate decrease of 26.7 percent and 21.8 percent, respectively, versus the much higher decreases in Platts 62 percent Fe fines spot price. Additionally, the first quarter sales tons for U.S. Iron Ore in both 2015 and 2014 include a substantial amount of carry over tonnage from prior year nominations which are priced based on prior year price formulas.

Table of Contents

The metallurgical coal market continues to be in an oversupplied position due to continued supply from Australian producers and inconsistent demand for imported coal in China. Australian producers, benefiting from a devaluated local currency, are very competitive in European and South American markets. Reductions in global coal supply over the last 12 months have yet to correct the oversupplied position of the market. The quarterly benchmark price for premium low-volatile hard coking coal between Australian metallurgical coal suppliers and Japanese/Korean consumers decreased 8.8 percent to a second quarter average of $110 per metric ton in 2015 versus the 2014 second quarter average of $120 per metric ton. In comparison, the year-to-date quarterly benchmark average price for premium low-volatile hard coking coal decreased 13.9 percent to $113 per ton during the six months ended June 30, 2015 when compared to the same period in 2014.

For the three and six months ended June 30, 2015, our consolidated revenues were $498.1 million and $944.1 million, respectively. There was a net loss from continuing operations per diluted share of $0.28 for the three months ended June 30, 2015 and net income from continuing operations per diluted share of $0.70 for the six months ended June 30, 2015. This compares with consolidated revenues of $747.7 million and $1,363.2 million, respectively, and with net income from continuing operations per diluted share of $0.48 and $0.86, respectively, for the comparable periods in 2014. Net income from continuing operations in the three months ended June 30, 2015 was negatively impacted by lower sales margin which decreased by $126.2 million in the three months ended June 30, 2015 when compared to the same period of 2014 primarily driven by lower market pricing for our products and decreased sales volume partially offset by cost cutting measures and favorable foreign exchange rates. Net income from continuing operations in the six months ended June 30, 2015 was positively impacted by a $313.7 million gain on extinguishment of debt. This was offset by lower sales margin which decreased by $235.4 million in the six months ended June 30, 2015 when compared to the same period of 2014 primarily driven by lower market pricing for our products partially offset by increased sales volume, cost cutting measures and favorable foreign exchange rates. Additionally, results for the six months ended June 30, 2015 were impacted negatively by the increase in income tax expense of $136.1 million primarily due to the placement of a valuation allowance against U.S. deferred tax assets.

Strategy

The Company is Focused on our Core U.S. Iron Ore Business

We continue the strategic shift to become a company fully focused on our U.S. Iron Ore business. We are the market-leading iron ore producer in the U.S., supplying differentiated iron ore pellets under long-term contracts, some of which begin to expire in the end of 2016, to the largest North America steel producers. Cliffs has the unique advantage of being a low cost producer of iron ore pellets in the U.S. market. Pricing structures contained in and the long-term supply provided by our existing contracts, along with our low-cost operating profile, positions U.S. Iron Ore as our most stable business. We expect to continue to strengthen our U.S. Iron Ore cost operating profile through continuous operational improvements and disciplined capital allocation policies. Strategically, we continue to develop various entry options for the Electric Arc Furnace market. As the EAF steel market continues to grow and evolve in the US, there is a potential for iron ore to serve this market through DR-pellets. Near term, we are focused on trial runs under actual operating conditions to confirm what we have already demonstrated in smaller batch trials of DR-pellets. As a market leader in value-added iron ore pellets, we believe this will open up a new opportunity for us to diversify our product mix and add new customers to our U.S. Iron Ore business beyond the traditional blast furnace clientele.

Reviewing All Other Businesses for Either Optimization, Divestiture or Shutdown

We commenced restructuring proceedings for our Eastern Canadian Iron Ore businesses under the CCAA in the first quarter of 2015. During the second quarter of 2015, the CCAA protection granted to the Bloom Lake Group was extended to include the Wabush Group to facilitate the reorganization of each of their businesses and operations. For more information regarding the status of our divestiture of our Eastern Canadian Iron Ore business, see the "Recent Developments" section below. As an extension of our re-focused U.S. Iron Ore strategy, we continue to consider further divestitures of the Asia Pacific Iron Ore and North American Coal businesses. We believe the assets from these non-core segments have value and will only consummate a transaction where we believe the price fairly and adequately represents such value. Asia Pacific Iron Ore is a well-recognized and reliable supplier to steelmakers in

Asia. As we consider selling this business, we will continue to operate Asia Pacific Iron Ore with very low total capital expenditures for the remaining life of mine. We are exploring the sale of the remaining North American Coal assets and committed to ensuring an acceptable value can be realized. We are focused on limiting capital expenditures while continuing to meet environmental, safety and permission to operate requirements.

Maintaining Discipline on Costs and Capital Spending and Improving our Financial Flexibility

We believe our ability to execute our strategy is dependent on our financial position, balance sheet strength and financial flexibility to manage through volatility in commodity prices. We have developed a highly disciplined financial

Table of Contents

and capital expenditure plan with a focus on improving our cost profile and increasing long-term profitability. We resized and streamlined our organization and support functions to better fit our new strategic direction. Our capital allocation plan is focused on strengthening our core U.S. Iron Ore operations to promote greater free cash flow generation.

Recent Developments

On April 2, 2015, we announced that P. Kelly Tompkins, our Executive Vice President of Business Development, had been named Executive Vice President & Chief Financial Officer effective April 1, 2015. Simultaneously, Clifford Smith had been named Executive Vice President, Business Development. Clifford Smith's previous position, Executive Vice President, Seaborne Iron Ore, has been eliminated. Since joining Cliffs in May 2010, Mr. Tompkins held many executive officer and senior leadership positions. Prior to joining the organization, he served as Executive Vice President and Chief Financial Officer of RPM International Inc. from June 2008 to May 2010. He also served as RPM's Chief Administrative Officer and Senior Vice President and General Counsel. Mr. Smith joined Cliffs in 2003, holding several senior leadership positions, including global responsibility for operations and business development. Mr. Smith also led the exploration and development activities of the Company's global exploration group. Prior to joining Cliffs, Mr. Smith held mine management positions with Asarco and South Peru Copper Corporation.

United States Iron Ore

On April 29, 2015, we issued a WARN Act notice to the employees of Empire and Tilden, the United Steelworkers and state and local government agencies, that we intend to temporarily reduce our operations at the Empire mine as a result of a reduction in demand for its iron ore pellets. Empire reduced operations began on June 26, 2015 and the reduction is anticipated to continue through October 2015. Operations could return to normal sooner if unforeseen orders were to materialize for Empire's pellets. It is also possible that the reduction period could be extended if the current demand for Empire pellets were to soften. This temporary reduction will result in a reduction in force at both the Empire and Tilden mines due to bumping rights in the labor agreement.

On July 29, 2015, we issued a lay-off notice to the employees of United Taconite, the United Steelworkers and state and local government agencies, that we intend to temporarily idle our production at the United Taconite mine as a result of an unexpected reduction in iron ore pellet nominations from our customers during the second quarter. United Taconite will begin steps to reduce its production immediately and the lay-offs are anticipated to last less than six months. Operations could return to normal if recently filed and forthcoming trade cases were to result in increased pellet nominations from our customers in the second half of 2015. Conversely, if increased iron ore pellet demand does not materialize during this period, the idled state of production could be extended. This temporary idling will result in reductions in force at the United Taconite mine.

Eastern Canadian Iron Ore

On January 27, 2015, we announced that the Bloom Lake Group commenced restructuring proceedings in Montreal, Quebec, under the CCAA. The Bloom Lake Group had recently suspended operations and for several months we were exploring options to sell certain of our Canadian assets, among other initiatives. The decision to seek protection under the CCAA was based on a thorough legal and financial analysis of the options available to the Bloom Lake Group. The Bloom Lake Group was no longer generating revenues and was not able to meet its obligations as they came due. The initial CCAA order addressed the Bloom Lake Group's immediate liquidity issues and permitted the Bloom Lake Group to preserve and protect its assets for the benefit of all stakeholders while restructuring and sale options are explored. As part of the CCAA process, the Court has appointed the Monitor. The Monitor's role in the CCAA process is to monitor the activities of the Bloom Lake Group and provide assistance to the Bloom Lake Group and its stakeholders in respect of the CCAA process.

On March 23, 2015, we announced a definitive agreement to sell our Chromite assets in Northern Ontario, Canada, to Noront for $20 million. On April 13, 2015, we received an unsolicited offer from a potential purchaser for an alternate transaction to purchase the Chromite assets on terms substantially similar, but for a purchase price higher than that in Noront's definitive agreement. A supplemental bid process ensued and a superior offer was made and selected by us, our advisors and the Monitor. On April 28, 2015, we closed our sale of the Chromite assets to Noront for $27.5 million.

50

Table of Contents

On May 20, 2015, we announced that the Wabush Group commenced restructuring proceedings in Montreal, Quebec, under the CCAA. As a result of this action the CCAA protection granted to the Bloom Lake Group has been extended to include the Wabush Group to facilitate the reorganization of each of their businesses and operations. The initial CCAA order addressed the Wabush Group's immediate liquidity issues and permits the Wabush Group to preserve and protect its assets for the benefit of all stakeholders while restructuring and sale options are explored. Including the Wabush Group in the existing CCAA proceedings of the Bloom Lake Group will facilitate a more comprehensive restructuring and sale process of both the Bloom Lake Group and the Wabush Group which collectively include mine, port and rail assets and will lead to a more effective and streamlined exit from Eastern Canada.

Business Segments

Our Company’s primary continuing operations are organized and managed according to product category and geographic location: U.S. Iron Ore and Asia Pacific Iron Ore. As of March 31, 2015, management determined that our North American Coal operating segment met the criteria to be classified as held for sale under ASC 205 - Presentation of Financial Statements. As such, all current and historical North American Coal operating segment results are included in our financial statement and classified within discontinued operations. Additionally, as a result of the CCAA filing of the Bloom Lake Group on January 27, 2015 and the Wabush Group on May 20, 2015, we no longer have a controlling interest over the Bloom Lake Group and certain other wholly owned subsidiaries and we no longer have a controlling interest over the Wabush Group. The Bloom Lake Group, Wabush Group and certain of each of their wholly owned subsidiaries were previously reported as Eastern Canadian Iron Ore and Other reportable segments. As such, we deconsolidated the Bloom Lake Group and certain other wholly-owned subsidiaries as of January 27, 2015. Additionally, as a result of the Wabush Filing on May 20, 2015, we deconsolidated certain Wabush Group wholly-owned subsidiaries effective May 20, 2015. The certain wholly-owned subsidiaries deconsolidated effective May 20, 2015 are Wabush Group entities that were not deconsolidated as part of the deconsolidation effective January 27, 2015. Financial results prior to the respective deconsolidations of the Bloom Lake and Wabush Groups and subsequent expenses directly associated with the Canadian Entities are included in our financial statements and classified within discontinued operations.

Results of Operations – Consolidated

2015 Compared to 2014

The following is a summary of our consolidated results of operations for the three and six months ended June 30, 2015 and 2014:

	(In Millions)					
	Three Months Ended June 30,			Six Months Ended June 30,		
	2015	2014	Variance Favorable/ (Unfavorable)	2015	2014	Variance Favorable/ (Unfavorable)
Revenues from product sales and services	$498.1	$747.7	$(249.6)	$944.1	$1,363.2	$(419.1)
Cost of goods sold and operating expenses	(440.8)	(564.2)	123.4	(806.0)	(989.7)	183.7
Sales margin	$57.3	$183.5	$(126.2)	$138.1	$373.5	$(235.4)
Sales margin %	11.5 %	24.5 %	(13.0)%	14.6 %	27.4 %	(12.8)%

Revenues from Product Sales and Services

Sales revenue for the three and six months ended June 30, 2015 decreased $249.6 million and $419.1 million, respectively, or 33.4 percent and 30.7 percent, respectively, from the comparable periods in 2014. The decrease in sales revenue during the second quarter and first half of 2015 compared to the same periods in 2014 was primarily attributable to the decrease in market pricing for our products including a reduction in the full-year estimate of our customer's hot band steel pricing, which impacted revenues by $221.2 million and $429.5 million for three and six months ended June 30, 2015, respectively.

51

Table of Contents

Changes in world market pricing impact our revenues each year. Iron ore revenues decreased $221.2 million in the second quarter of 2015 compared to the prior-year period primarily due to the decrease in the Platts 62 percent Fe fines spot price, which declined 43.1 percent to an average price of $58 per ton in the second quarter of 2015, and a decrease in the full-year estimate of hot band steel pricing. The decrease in our realized revenue rates during the second quarter of 2015 compared to the second quarter of 2014 was 26.7 percent and 44.9 percent for our U.S. Iron Ore and Asia Pacific Iron Ore operations, respectively. Additionally, there was a decrease in revenues period-over-period as a result of lower iron ore sales volumes of 243 thousand tons or $22.3 million for the three months ended June 30, 2015.

During the first half of 2015, iron ore revenues decreased $429.5 million compared to the prior-year period and were impacted primarily by the decrease in the Platts 62 percent Fe fines spot price, which declined 45.8 percent to an average price of $60 per ton in the first half of 2015 and the decrease in the full-year estimate of hot band steel pricing. The decrease in our realized revenue rates during the first half of 2015 compared to the first half of 2014 was 21.8 percent and 50.5 percent for our U.S. Iron Ore and Asia Pacific Iron Ore operations, respectively. Partially offsetting these decreases was an increase in revenues period-over-period as a result of higher iron ore sales volumes of 259 thousand tons or $23.8 million for the six months ended June 30, 2015.

Refer to "Results of Operations – Segment Information" for additional information regarding the specific factors that impacted revenue during the period.

Cost of Goods Sold and Operating Expenses

Cost of goods sold and operating expenses for the three and six months ended June 30, 2015 were $440.8 million and $806.0 million, respectively, which represented a decrease of $123.4 million and $183.7 million, or 21.9 percent and 18.6 percent, respectively, from the comparable prior-year periods.

Cost of goods sold and operating expenses for the three months ended June 30, 2015 decreased as operational efficiencies and cost cutting efforts across each of our business units has reduced costs for the three months ended June 30, 2015 by $76.1 million. Also, as a result of favorable foreign exchange rates in the second quarter versus the comparable period in 2014, we realized lower costs of $23.7 million for our Asia Pacific Iron Ore segment. Additionally, there was a decrease in costs period-over-period as a result of lower iron ore sales volumes of $16.7 million for the three months ended June 30, 2015.

Cost of goods sold and operating expenses for the six months ended June 30, 2015 decreased as operational efficiencies and cost cutting efforts across each of our business units has reduced costs for the six months ended June 30, 2015 by $170.9 million. Also, as a result of favorable foreign exchange rates in the first half of 2015 versus the comparable period in 2014, we realized lower costs of $42.9 million for our Asia Pacific Iron Ore segment. Partially offsetting this decrease was an increase in costs period-over-period as a result of higher iron ore sales volumes of $17.8 million for the six months ended June 30, 2015.

Refer to "Results of Operations – Segment Information" for additional information regarding the specific factors that impacted our operating results during the period.

Other Operating Income (Expense)

The following is a summary of other operating income (expense) for the three and six months ended June 30, 2015 and 2014:

	(In Millions)					
	Three Months Ended June 30,			Six Months Ended June 30,		
	2015	2014	Variance Favorable/ (Unfavorable)	2015	2014	Variance Favorable/ (Unfavorable)
Selling, general and administrative expenses	$(30.8)	$(40.9)	$10.1	$(59.8)	$(81.4)	$21.6
Miscellaneous - net	(0.8)	(3.3)	2.5	19.3	(13.6)	32.9
	$(31.6)	$(44.2)	$12.6	$(40.5)	$(95.0)	$54.5

Selling, general and administrative expenses during the three and six months ended June 30, 2015 decreased by $10.1 million and $21.6 million over the comparable periods in 2014. There were lower severance costs of $3.5 million

52

Table of Contents

and $9.9 million during the three and six months ended June 30, 2015 versus the comparable periods in 2014. As a result of the severance expenses, we have reduced employment costs for the three and six months ended June 30, 2015 by $5.0 million and $7.8 million, respectively. Additionally, there were incrementally lower severance costs of $3.5 million and $9.9 million during the three and six months ended June 30, 2015 versus the comparable periods in 2014. Also, the three months and six months ended June 30, 2015 were impacted favorably by $5.4 million and $4.2 million, respectively, due to a reduction in outside services.

The following is a summary of Miscellaneous - net for the three and six months ended June 30, 2015 and 2014:

	(In Millions)					
	Three Months Ended June 30,			Six Months Ended June 30,		
	2015	2014	Variance Favorable/ (Unfavorable)	2015	2014	Variance Favorable/ (Unfavorable)
Foreign exchange remeasurement	$(0.8)	$(6.0)	$5.2	$12.7	$(17.5)	$30.2
Insurance recoveries	—	—	—	7.6	0.1	7.5
Management and royalty fees	0.7	2.9	(2.2)	3.1	5.2	(2.1)
Other	(0.7)	(0.2)	(0.5)	(4.1)	(1.4)	(2.7)
	$(0.8)	$(3.3)	$2.5	$19.3	$(13.6)	$32.9

The change in Miscellaneous - net was favorable by $2.5 million and $32.9 million during the three and six months ended June 30, 2015, respectively, from the comparable periods in 2014. For the three and six months ended June 30, 2015 there was a favorable incremental impact of $5.2 million and $30.2 million, respectively, due to the change in foreign exchange re-measurement on short-term intercompany notes, Australian bank accounts that are denominated in U.S. dollars and certain monetary financial assets and liabilities, which are denominated in something other than the functional currency of the entity. Additionally, the six months ended June 30, 2015 was impacted favorably by $7.6 million of insurance recoveries related to the clean-up of the Pointe Noire oil spill that occurred in September 2013.

Other Income (Expense)

The following is a summary of other income (expense) for the three and six months ended June 30, 2015 and 2014:

	(In Millions)					
	Three Months Ended June 30,			Six Months Ended June 30,		
	2015	2014	Variance Favorable/ (Unfavorable)	2015	2014	Variance Favorable/ (Unfavorable)
Interest expense, net	$(63.6)	$(42.1)	$(21.5)	$(106.5)	$(82.5)	$(24.0)
Gain on extinguishment of debt	—	—	—	313.7	—	313.7
Other non-operating income (expense)	(2.1)	1.6	(3.7)	(2.9)	2.4	(5.3)
	$(65.7)	$(40.5)	$(25.2)	$204.3	$(80.1)	$284.4

The increase in gain on extinguishment of debt during the six months ended June 30, 2015 compared to the comparable prior-year period is a result of the corporate debt restructuring, as discussed in NOTE 5 - DEBT AND CREDIT FACILITIES.

Interest expense was unfavorably impacted by $31.1 million and $31.3 million for the three and six months ended June 30, 2015, respectively, as we entered into new credit arrangements during the first quarter of 2015, as discussed in NOTE 5 - DEBT AND CREDIT FACILITIES. The unfavorable impact was offset partially by reduced interest expense of $11.6 million for the three and six months ended June 30, 2015 due to the extinguishment of certain Senior Notes and the revolving credit agreement during the first quarter of 2015, as discussed in NOTE 5 - DEBT AND CREDIT FACILITIES.

53

Table of Contents

Income Taxes

We determined our interim tax provision using a methodology required by ASC 740, Income Taxes, as it is our position that the use of an estimated annual effective tax rate would not be reliable. The following represents a summary of our tax provision for the three and six months ended June 30, 2015 and 2014:

	(In Millions)					
	Three Months Ended June 30,			Six Months Ended June 30,		
	2015	2014	Variance	2015	2014	Variance
Income tax benefit (expense)	$1.8	$(7.6)	$9.4	$(173.3)	$(37.2)	$(136.1)
Effective tax rate	4.5%	7.7%	(3.2)%	57.4%	18.8%	38.6%

For the three and six months ended June 30, 2015, we recorded an income tax benefit in continuing operations of $1.8 million and an income tax expense of $173.3 million, respectively. For the three and six months ended June 30, 2014 we recorded an income tax expense of $7.6 million and $37.2 million, respectively. The increase in the income tax expense from the prior-year period is due primarily to the placement of the valuation allowance against U.S. deferred tax assets.

For the three and six months ended June 30, 2015, we recorded discrete items that resulted in an income tax benefit of $0.3 million and an income tax expense of $167.2 million, respectively. The six months ended June 30, 2015 adjustments relate primarily to the placement of a valuation allowance against U.S. deferred tax assets that were recognized in prior years. This compares to discrete items that resulted in an income tax benefit of $0.2 million and $0.6 million for the three and six months ended June 30, 2014, respectively.

Noncontrolling Interest

Noncontrolling interest primarily is comprised of our consolidated, but less-than-wholly owned subsidiary at our Empire mining venture and through the CCAA filing on January 27, 2015, the Bloom Lake operations. The net income attributable to the noncontrolling interest of the Empire mining venture was $4.9 million and $10.8 million for the three and six months ended June 30, 2015, respectively, compared to net income attributable to the noncontrolling interest of $13.1 million and $20.0 million for the three and six months ended June 30, 2014, respectively. There was no net income or loss attributable to the noncontrolling interest related to Bloom Lake for the three months ended June 30, 2015. The net loss attributable to the noncontrolling interest related to Bloom Lake was $9.4 million for the three months ended June 30, 2014. The net loss attributable to the noncontrolling interest related to Bloom Lake was $7.7 million for the six months ended June 30, 2015 compared to net loss attributable to the noncontrolling interest of $16.7 million for the six months ended June 30, 2014.

Table of Contents

Results of Operations – Segment Information

We have historically evaluated segment performance based on sales margin, defined as revenues less cost of goods sold, and operating expenses identifiable to each segment. Additionally, beginning in the third quarter of 2014, concurrent with the change in control on July 29, 2014, management began to evaluate segment performance based on EBITDA, defined as Net Income (Loss) before interest, income taxes, depreciation, depletion and amortization, and Adjusted EBITDA, defined as EBITDA excluding certain items such as impacts of discontinued operations, extinguishment of debt, severance and contractor termination costs, foreign currency remeasurement, and intersegment corporate allocations of selling, general and administrative costs. Management uses and believes that investors benefit from referring to these measures in evaluating operating and financial results, as well as in planning, forecasting and analyzing future periods as these financial measures approximate the cash flows associated with the operational earnings.

EBITDA and Adjusted EBITDA

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Net Income (Loss)	$65.2	$14.5	$(696.5)	$(56.2)
Less:				
Interest expense, net	(64.3)	(44.8)	(108.5)	(87.5)
Income tax benefit (expense)	2.9	69.1	(172.1)	90.9
Depreciation, depletion and amortization	(30.5)	(145.3)	(63.5)	(286.4)
EBITDA	$157.1	$135.5	$(352.4)	$226.8
Less:				
Impact of discontinued operations	$103.0	$(76.0)	$(821.1)	$(194.1)
Gain on extinguishment of debt	—	—	313.7	—
Severance and contractor termination costs	(10.0)	(6.2)	(11.6)	(16.6)
Foreign exchange remeasurement	(0.8)	(6.0)	12.7	(17.5)
Adjusted EBITDA	$64.9	$223.7	$153.9	$455.0
EBITDA:				
U.S. Iron Ore	$68.8	$172.7	$170.4	$296.3
Asia Pacific Iron Ore	9.6	66.1	27.6	151.4
Other	78.7	(103.3)	(550.4)	(220.9)
Total EBITDA	$157.1	$135.5	$(352.4)	$226.8
Adjusted EBITDA:				
U.S. Iron Ore	$77.2	$178.7	$182.3	$309.6
Asia Pacific Iron Ore	17.4	76.7	23.1	175.8
Other	(29.7)	(31.7)	(51.5)	(30.4)
Total Adjusted EBITDA	$64.9	$223.7	$153.9	$455.0

EBITDA for the three and six months ended June 30, 2015 increased by $21.6 million and decreased by $579.2 million, respectively, on a consolidated basis from the comparable period in 2014. The period-over-period change was driven primarily by the items detailed above in the Adjusted EBITDA calculation along with lower consolidated sales margin. Adjusted EBITDA decreased by $158.8 million and $301.1 million for the three and six months ended June 30, 2015, respectively, from the comparable periods in 2014. The decrease was primarily attributable to the lower consolidated sales margin excluding the impact of depreciation, depletion and amortization expense. See further detail below for additional information regarding the specific factors that impacted each reportable segments' sales margin during the three and six months ended June 30, 2015 and 2014.

Table of Contents

2015 Compared to 2014

U.S. Iron Ore

The following is a summary of U.S. Iron Ore results for the three months ended June 30, 2015 and 2014:

	(In Millions)						
			Changes due to:				
	Three Months Ended June 30,		Revenue and cost rate	Sales volume	Idle cost/production volume variance	Freight and reimburse-ment	Total change
	2015	2014					
Revenues from product sales and services	$369.7	$514.6	$(120.7)	$(10.1)	$ —	$ (14.1)	$(144.9)
Cost of goods sold and operating expenses	(320.7)	(367.4)	27.6	6.5	(1.5)	14.1	46.7
Sales margin	$49.0	$147.2	$(93.1)	$(3.6)	$ (1.5)	$ —	$(98.2)

	Three Months Ended June 30,			
Per Ton Information	2015	2014	Difference	Percent change
Realized product revenue rate[1]	$78.32	$106.80	$(28.48)	(26.7)%
Cash production cost	56.06	61.37	(5.31)	(8.7)%
Non-production cash cost	5.53	5.36	0.17	3.2 %
Cost of goods sold and operating expenses rate[1] (excluding DDA)	61.59	66.73	(5.14)	(7.7)%
Depreciation, depletion & amortization	5.18	6.13	(0.95)	(15.5)%
Total cost of goods sold and operating expenses rate	66.77	72.86	(6.09)	(8.4)%
Sales margin	$11.55	$33.94	$(22.39)	(66.0)%
Sales tons[2] (In thousands)	4,244	4,337		
Production tons[2] (In thousands)				
Total	7,121	7,575		
Cliffs' share of total	5,503	5,805		

[1] Excludes revenues and expenses related to domestic freight, which are offsetting and have no impact on sales margin. Revenues also exclude venture partner cost reimbursements.

[2] Tons are long tons (2,240 pounds).

Sales margin for U.S. Iron Ore was $49.0 million for the three months ended June 30, 2015, compared with sales margin of $147.2 million for the three months ended June 30, 2014. The decline compared to the prior-year period is attributable to a decrease in revenue of $144.9 million partially offset by lower cost of goods sold and operating expenses of $46.7 million. Sales margin per ton decreased 66.0 percent to $11.55 in the second quarter of 2015 compared to the second quarter of 2014.

Revenue decreased by $130.8 million, excluding the decrease of $14.1 million of freight and reimbursements from the prior-year period, predominantly due to:

- The average year-to-date realized product revenue rate declined by $28.48 per ton or 26.7 percent to $78.32 per ton in second quarter of 2015, which resulted in a decrease of $120.7 million. This decline is a result of:

Realized revenue rates impacted negatively by $9 per ton primarily as a result of one major customer contract with a pricing mechanism affected by a reduction in the full-year estimate of their hot band steel pricing;

Table of Contents

Changes in customer pricing negatively affected the realized revenue rate by $8 per ton driven primarily by the reduction in Platts 62 percent Fe fines spot price;
Realized revenue rates impacted negatively by $7 per ton related to one major customer contract with a reduced average selling price due to a change in the pricing mechanism as prescribed in the current contract which shifted the contract from a fixed rate to a rate subject to Platts 62 percent Fe fines spot price; and
An unfavorable customer mix impacting the realized revenue rates by $5 per ton mainly due to increased spot sales with a contract based off of current market prices and selling fewer contracted tons at a more favorable rate in the second quarter of 2015 to one customer that in 2014 could not use their self produced iron ore due to extreme weather conditions, partially offset by lower export sales.

- Lower sales volumes of 93 thousand tons or $10.1 million due to:

Decreased export sales in the current year and reduced demand from one customer in the second quarter of 2015 compared to the prior-year period when the customer could not use their self produced iron ore, along with lower nominations and the expiration of a contract with one customer at the end of 2014.

These decreases were partially offset by higher sales to one customer in the second quarter of 2015 due to a spot contract with the customer that began in the fourth quarter of 2014.

Cost of goods sold and operating expenses in the second quarter of 2015 decreased $32.6 million, excluding the decrease of $14.1 million of freight and reimbursements from the same period in the prior-year period, predominantly as a result of:

- Lower costs in the second quarter of 2015 in comparison to the prior-year period primarily driven by the reduction in salaried workforce headcount and overall reduction in employment costs along with year-over-year reduction in energy rates; and
- Decreased sales volumes as discussed above that decreased costs by $6.5 million compared to the prior-year period.
- Partially offset by increased idle costs of $1.5 million due to one idled production line at our Northshore mine during the second quarter of 2015 versus no idled production lines at our Northshore mine during the second quarter of 2014.

Table of Contents

The following is a summary of U.S. Iron Ore results for the six months ended June 30, 2015 and 2014:

	(In Millions)						
			Changes due to:				
	Six Months Ended June 30,		Revenue and cost rate	Sales volume	Idle cost/production volume variance	Freight and reimburse-ment	Total change
	2015	2014					
Revenues from product sales and services	$681.5	$875.9	$(168.6)	$1.7	$ —	$ (27.5)	$(194.4)
Cost of goods sold and operating expenses	(552.5)	(633.7)	52.9	(0.9)	1.7	27.5	81.2
Sales margin	$129.0	$242.2	$(115.7)	$0.8	$ 1.7	$ —	$(113.2)

	Six Months Ended June 30,			
Per Ton Information	2015	2014	Difference	Percent change
Realized product revenue rate[1]	$84.23	$107.68	$(23.45)	(21.8)%
Cash production cost	60.36	69.62	(9.26)	(13.3)%
Non-production cash cost	(0.15)	(3.41)	3.26	(95.6)%
Cost of goods sold and operating expenses rate[1] (excluding DDA)	60.21	66.21	(6.00)	(9.1)%
Depreciation, depletion & amortization	6.08	7.71	(1.63)	(21.1)%
Total cost of goods sold and operating expenses rate	66.29	73.92	(7.63)	(10.3)%
Sales margin	$17.94	$33.76	$(15.82)	(46.9)%
Sales tons[2] (In thousands)	7,190	7,174		
Production tons[2] (In thousands)				
Total	14,303	13,734		
Cliffs' share of total	10,879	10,442		

[1] Excludes revenues and expenses related to domestic freight, which are offsetting and have no impact on sales margin. Revenues also exclude venture partner cost reimbursements.
[2] Tons are long tons (2,240 pounds).

Sales margin for U.S. Iron Ore was $129.0 million for the six months ended June 30, 2015, compared with sales margin of $242.2 million for the six months ended June 30, 2014. The decline compared to the prior-year period is attributable to a decrease in revenue of $194.4 million partially offset by lower cost of goods sold and operating expenses of $81.2 million. Sales margin per ton decreased 46.9 percent to $17.94 in the first half of 2015 compared to the first half of 2014.

Revenue decreased by $166.9 million, excluding the decrease of $27.5 million of freight and reimbursements from the prior-year period, predominantly due to:

- The average year-to-date realized product revenue rate declined by $23.45 per ton or 21.8 percent to $84.23 per ton in first six months of 2015, which resulted in a decrease of $168.6 million. This decline is a result of:

Changes in customer pricing negatively affected the realized revenue rate by $9 per ton driven primarily by the reduction in Platts 62 percent Fe fines spot price;

Realized revenue rates impacted negatively by $7 per ton primarily as a result of one major customer contract with a pricing mechanism affected by a reduction in the full-year estimate of their hot band steel pricing;

Table of Contents

Realized revenue rates impacted negatively by $6 per ton related to one major customer contract with a reduced average selling price due to a change in the pricing mechanism based on the current contract plus the impact and timing of carryover tons; and

An unfavorable customer mix impacting the realized revenue rates by $2 per ton mainly due to increased spot sales with a contract based off of current market prices and selling fewer contracted tons at a more favorable rate in the first half of 2015 to one customer that in 2014 could not use their self produced iron ore due to extreme weather conditions, partially offset by lower export sales.

- The decline in average year-to-date realized product revenue rate is partially offset by higher sales volumes of 16 thousand tons or $1.7 million.

Cost of goods sold and operating expenses in the first half of 2015 decreased $53.7 million, excluding the decrease of $27.5 million of freight and reimbursements from the same period in the prior-year, predominantly as a result of:

- Lower costs in the first half of 2015 in comparison to the prior-year period primarily driven by the reduction in salaried workforce headcount and overall reduction in employment costs along with year-over-year reduction in energy rates.

Production

Cliffs' share of production in its U.S. Iron Ore segment decreased by 5.2 percent in the second quarter of 2015 when compared to the same period in 2014. United Taconite mine had a decrease in production of 205 thousand tons due to the timing of the plant major repair occurring in the second quarter of 2015 versus the first quarter of 2014. There was a decrease in production of 132 thousand tons at Tilden mine due to the timing of the electrical shutdown repair and a crusher failure in the second quarter of 2015. There was a decrease in production at Northshore of 50 thousand tons due to running a three furnace operation in the second quarter of 2015 versus a four furnace operation in the second quarter of 2014. Additionally, there was slightly decreased production at Empire mine and Hibbing mine during the second quarter of 2014 primarily due to timing of maintenance and repairs.

Cliffs' share of production in its U.S. Iron Ore segment increased by 4.2 percent in the first half of 2015 when compared to the same period in 2014. United Taconite mine had an increase in production of 141 thousand tons during the first half of 2015 compared to same period in 2014, primarily due to items that occurred in the first quarter of 2014 that did not recur in the current period including unplanned outages and rail related issues due to extreme cold weather. There was an increase in production of 102 thousand tons at the Northshore mine during the first half of 2015, as we ran a three furnace operation during the first half of 2015 compared to 2014 when we ran a two furnace operation for the majority of the first quarter and then started up one idled furnace in February and the other in March. The one furnace currently idled at the Northshore pellet plant was idled in January 2015 and is expected to remain idled throughout 2015. Additionally, there was increased production at Empire mine and Hibbing mine in the first half of 2015 primarily as a result of maintenance repairs and unplanned outages that occurred in the first half of 2014 and that did not reoccur in the first half of 2015 slightly offset by reduced production at Tilden due to repairs.

Asia Pacific Iron Ore

The following is a summary of Asia Pacific Iron Ore results for the three months ended June 30, 2015 and 2014:

	(In Millions)						
			Change due to:				
	Three Months Ended June 30,		Revenue and cost rate	Sales volume	Exchange rate	Freight and reimburse-ment	Total change
	2015	2014					
Revenues from product sales and services	$128.4	$233.1	$(100.5)	$(12.2)	$1.1	$ 6.9	$(104.7)
Cost of goods sold and operating expenses	(120.1)	(197.1)	50.0	10.2	23.7	(6.9)	77.0
Sales margin	$8.3	$36.0	$(50.5)	$(2.0)	$24.8	$ —	$(27.7)

	Three Months Ended June 30,			
Per Ton Information	2015	2014	Difference	Percent change
Realized product revenue rate[1]	$44.29	$80.38	$(36.09)	(44.9)%
Cash production cost	34.32	51.59	(17.27)	(33.5)%
Non-production cash cost	4.52	1.79	2.73	152.5 %
Cost of goods sold and operating expenses rate (excluding DDA)[1]	38.84	53.38	(14.54)	(27.2)%
Depreciation, depletion & amortization	2.44	14.59	(12.15)	(83.3)%
Total cost of goods sold and operating expenses rate	41.28	67.97	(26.69)	(39.3)%
Sales margin	$3.01	$12.41	$(9.40)	(75.7)%
Sales tons[2] (In thousands)	2,750	2,900		
Production tons[2] (In thousands)	2,847	2,731		

[1] We began selling a portion of our product on a CFR basis in 2014. As such, the information above excludes revenues and expenses related to domestic freight, which are offsetting and have no impact on sales margin.

[2] Metric tons (2,205 pounds).

Sales margin for Asia Pacific Iron Ore decreased to $8.3 million during the three months ended June 30, 2015 compared with $36.0 million for the same period in 2014 and sales margin per ton decreased 75.7 percent to $3.01 per ton in the second quarter of 2015 compared to the second quarter of 2014 primarily as a result of decreased pricing as discussed below.

Revenue decreased $111.6 million in the second quarter of 2015 over the prior-year period, excluding the increase of $6.9 million of freight and reimbursements, primarily as a result of:

- An overall decrease to the average realized revenue rate, which resulted in a decrease of $100.5 million, primarily as a result of a decrease in the Platts 62 percent Fe fines spot price to a quarterly average of $58 per ton from $103 per ton in the prior-year period; and
- Lower sales volume of 2.8 million tons during the three months ended June 30, 2015 compared with 2.9 million tons during the prior-year period due to port maintenance timing and timing of shipments, resulting in a decrease in revenue of $12.2 million.

Cost of goods sold and operating expenses in the three months ended June 30, 2015 decreased $83.9 million, excluding the increases of $6.9 million of freight and reimbursements, compared to the same period in 2014 primarily as a result of:

- A reduction in depreciation, amortization and depletion expense of $35.6 million primarily due to the long-lived asset impairments taken during the second half of 2014 and reduced mining costs of $18.6 million

60

Table of Contents

mainly due to decreased mining volumes and increases in productivity related to maintenance, hauling and train loading, and lower headcount;

- Favorable foreign exchange rate variances of $23.7 million or $9 per ton; and
- Lower sales volumes, as discussed above, that resulted in decreased costs of $10.2 million compared to the same period in the prior year.

The following is a summary of Asia Pacific Iron Ore results for the six months ended June 30, 2015 and 2014:

	(In Millions)						
			Change due to:				
	Six Months Ended June 30,		Revenue and cost rate	Sales volume	Exchange rate	Freight and reimburse-ment	Total change
	2015	2014					
Revenues from product sales and services	$262.6	$487.3	$(260.9)	$22.1	$3.3	$ 10.8	$(224.7)
Cost of goods sold and operating expenses	(253.5)	(385.0)	116.3	(16.9)	42.9	(10.8)	131.5
Sales margin	$9.1	$102.3	$(144.6)	$5.2	$46.2	$ —	$(93.2)

	Six Months Ended June 30,			
Per Ton Information	2015	2014	Difference	Percent change
Realized product revenue rate[1]	$43.53	$87.94	$(44.41)	(50.5)%
Cash production cost	35.56	51.09	(15.53)	(30.4)%
Non-production cash cost	4.15	3.70	0.45	12.2 %
Cost of goods sold and operating expenses rate (excluding DDA)[1]	39.71	54.79	(15.08)	(27.5)%
Depreciation, depletion & amortization	2.25	14.69	(12.44)	(84.7)%
Total cost of goods sold and operating expenses rate	41.96	69.48	(27.52)	(39.6)%
Sales margin	$1.57	$18.46	$(16.89)	(91.5)%
Sales tons[2] (In thousands)	5,784	5,541		
Production tons[2] (In thousands)	5,727	5,521		

[1] We began selling a portion of our product on a CFR basis in 2014. As such, the information above excludes revenues and expenses related to domestic freight, which are offsetting and have no impact on sales margin.

[2] Metric tons (2,205 pounds).

Sales margin for Asia Pacific Iron Ore decreased to $9.1 million during the six months ended June 30, 2015 compared with $102.3 million for the same period in 2014 and sales margin per ton decreased 91.5 percent to $1.57 per ton in the first half of 2015 compared to the first half of 2014 primarily as a result of decreased pricing as discussed below.

Revenue decreased $235.5 million in the first half of 2015 over the prior-year period, excluding the increase of $10.8 million of freight and reimbursements, primarily as a result of:

- An overall decrease to the average realized revenue rate, which resulted in a decrease of $260.9 million, primarily as a result of a decrease in the Platts 62 percent Fe fines spot price to a full-year average of $60 per ton from $111 per ton in the prior-year period; and
-

Partially offset by the higher sales volume of 5.8 million tons during the six months ended June 30, 2015 compared with 5.5 million tons during the prior-year period resulting in an increase in revenue of $22.1 million. The increase in sales volume was primarily due to more consistent rail deliveries, a more ratable full-year delivery schedule and consistently larger vessel loadings.

Table of Contents

Cost of goods sold and operating expenses in the six months ended June 30, 2015 decreased $142.3 million, excluding the increases of $10.8 million of freight and reimbursements, compared to the same period in 2014 primarily as a result of:

- A reduction in depreciation, amortization and depletion expense of $68.4 million primarily due to the long-lived asset impairments taken during the second half of 2014 and reduced mining costs of $38.5 million mainly due to decreased mining volumes and increases in productivity related to maintenance, hauling and train loading, and lower headcount; and
- Favorable foreign exchange rate variances of $42.9 million or $7 per ton.
- These decreases were offset partially by higher sales volumes, as discussed above, that resulted in increased costs of $16.9 million compared to the same period in the prior year.

Production

Production at Asia Pacific Iron Ore during the three and six months ended June 30, 2015 remained consistent when compared to the same periods in 2014 with a slight increase of 116 thousand production tons and 206 thousand production tons or 4.2 percent and 3.7 percent, respectively. The increase in production tons compared to the prior-year periods is mainly attributable to increased rail capacity.

Liquidity, Cash Flows and Capital Resources

Our primary sources of liquidity are cash generated from our operating and financing activities. Our capital allocation process is focused on prioritizing all potential uses of future cash flows. We continue to focus on cash generation in our business operations as well as reductions of any discretionary expenditures in order to ensure we are positioned to face the challenges and uncertainties of the volatile pricing markets for our products.

Based on current mine plans and subject to future iron ore and coal prices and supply and demand, we expect our budgeted capital expenditures, preferred dividends and other cash requirements during 2015 to exceed our estimated operating cash flows. Although we expect our cash flows from operating activities to be exceeded by our capital expenditures and dividends during 2015, we maintain adequate liquidity through the cash on our balance sheet and the availability provided by our ABL Facility to fund our normal business operations and strategic initiatives. Based on current market conditions, we expect to be able to fund our requirements for at least the next 12 months.

Refer to "Outlook" for additional guidance regarding expected future results, including projections on pricing, sales volume and production.

The following discussion summarizes the significant activities impacting our cash flows during the six months ended June 30, 2015 and 2014 as well as known expected impacts our future cash flows over the next 12 months. Refer to the Statements of Unaudited Condensed Consolidated Cash Flows for additional information.

Operating Activities

Net cash used by operating activities was $248.2 million for the six months ended June 30, 2015, compared to $123.9 million used for the same period in 2014. The decrease in operating cash flows in the first half of 2015 was primarily due to lower operating results previously discussed.

In our core U.S. market, we expect industry demand will be supported by a strong automotive sector and improving housing market; however, this support has been partially offset by the continued weakening of the oil and gas sector as well as destocking of inventories. Moreover, through the first half of the year, the U.S. steel industry faced pressure from surging imports as the strength of the U.S. dollar increased. Through June 30, 2015, finished steel import market share was estimated at 32 percent. Management believes that the strengthening of the U.S. trade enforcement laws for anti-dumping and countervailing duty will help combat this unfair trade issue. In China, we believe growth in steel production will be zero to negative. Despite this, major iron ore producers in Australia and Brazil continue to expand supply to the Chinese market with low-cost iron ore, which has driven the seaborne price to ten-year lows. The global price of iron ore has also been driven by mining cost deflation and a sharp fall in Australian and Brazilian currencies versus the U.S. dollar. As such, we expect seaborne iron ore prices will continue to face downward price pressure unless there are vast structural changes to the supply/demand picture, including increased global demand or significant iron ore capacity cuts. This has not only adversely impacted iron ore producers, but also the global steel industry. The Company considers that very low cost iron ore pricing has facilitated inexpensive steel exported out of China and into

the U.S. market.

Table of Contents

Coupled with efficient tax structures, our U.S. operations and our financing arrangements provide sufficient capital resources to support operations and do not require us to repatriate earnings from our foreign operations; however, if we repatriated earnings, we would be subject to increased income tax. Our U.S. cash and cash equivalents balance at June 30, 2015 was $235.5 million, or approximately 85.3 percent of our consolidated total cash and cash equivalents balance of $276.2 million. Furthermore, historically we have been able to raise additional capital through private financings and public debt and equity offerings, the bulk of which, to date, have been U.S.-based. If the demand for our product weakens and pricing deteriorates for a prolonged period, we have the financial and operational flexibility to reduce production, delay capital expenditures, sell assets and reduce overhead costs to provide liquidity in the absence of cash flow from operations.

Investing Activities

Net cash used by investing activities was $34.0 million for the six months ended June 30, 2015, compared with $148.3 million for the comparable period in 2014.

We spent approximately $34 million and $124 million globally on expenditures related to sustaining capital during the six months ended June 30, 2015 and 2014, respectively. Sustaining capital spend includes infrastructure, mobile equipment, environmental, safety, fixed equipment, product quality and health.

Additionally, for the six months ended June 30, 2014, we had capital expenditures at Bloom Lake mine related to expansion projects and expenditures for the tailings and water management system of $32.6 million and $40.3 million, respectively.

In alignment with our strategy to focus on allocating capital among key priorities related to liquidity management and business investment, we anticipate total cash used for full-year 2015 capital expenditures to be $75 million to $100 million related to continuing operations and $25 million for North American Coal. This budget assumes no additional asset divestitures.

Financing Activities

Net cash provided by financing activities in the first six months of 2015 was $268.4 million, compared to $290.7 million for the comparable period in 2014. Net cash provided by financing activities included the issuance of First Lien Notes, which resulted in proceeds of $503.5 million excluding debt issuance costs which were offset partially by the repurchase of senior notes of $133.3 million and debt issuance costs of $33.6 million. Net cash provided by financing activities in the first six months of 2014 included $414.8 million of net borrowings under the former revolving credit and uncommitted facilities. Offsetting net cash provided by financing activities in the first six months of 2015 and 2014 were dividend distributions of $25.6 million and $71.6 million, respectively. On July 1, 2015, our Board of Directors declared the quarterly cash dividend on our Preferred Shares of $17.50 per share, which is equivalent to approximately $0.44 per depositary share, each representing 1/40th of a Preferred Share. The cash dividend of $12.8 million will be paid on August 3, 2015 to our preferred shareholders of record as of the close of business on July 15, 2015.

Table of Contents

Capital Resources

We expect to fund our business obligations from available cash, current and future operations and existing borrowing arrangements. We also may pursue other funding strategies in the capital and/or bond markets to strengthen our liquidity. The following represents a summary of key liquidity measures as of June 30, 2015 and December 31, 2014:

	(In Millions)	
	June 30, 2015	December 31, 2014
Cash and cash equivalents	$276.2	$271.3
Available revolving credit facility[1]	$—	$1,125.0
Revolving loans drawn	—	—
Available borrowing base on ABL Facility[2]	532.7	—
ABL Facility loans drawn	—	—
Letter of credit obligations and other commitments	(200.1)	(149.5)
Borrowing capacity available	$332.6	$975.5

[1] On March 30, 2015, we eliminated our revolving credit facility and replaced it with the ABL Facility.

[2] The ABL Facility has a maximum borrowing base of $550 million, determined by applying customary advance rates to eligible accounts receivable, inventory and certain mobile equipment.

Our primary sources of funding are the cash on hand, which totaled $276.2 million as of June 30, 2015, cash generated by our business and availability under the ABL Facility. The combination of cash and availability under the ABL Facility gives us approximately $608.8 million in liquidity entering the third quarter of 2015, which is expected to be used to fund operations, letter of credit obligations, capital expenditures and finance strategic initiatives.

As of June 30, 2015, we were in compliance with the ABL Facility liquidity requirements and, therefore, the springing financial covenant requiring a minimum Fixed Charge Coverage Ratio of 1.0 to 1.0 was not applicable.

We believe that the cash on hand and the ABL Facility provide us sufficient liquidity to support our operating and investing activities. We continue to focus on achieving a capital structure that achieves the optimal mix of debt, equity and other financing arrangements.

Several credit markets may provide additional capacity should that become necessary. The bank market may provide funding through a term loan, bridge loan or credit facility. Additionally, we have access to the bond market as a source of capital. The risk associated with these credit markets is a significant increase in borrowing costs as a result of limited capacity and market conditions.

Off-Balance Sheet Arrangements

In the normal course of business, we are a party to certain arrangements that are not reflected on our Statements of Unaudited Condensed Consolidated Financial Position. These arrangements include minimum "take or pay" purchase commitments, such as minimum electric power demand charges, minimum coal, diesel and natural gas purchase commitments, minimum railroad transportation commitments and minimum port facility usage commitments; financial instruments with off-balance sheet risk, such as bank letters of credit and bank guarantees; and operating leases, which primarily relate to equipment and office space.

Market Risks

We are subject to a variety of risks, including those caused by changes in commodity prices, foreign currency exchange rates and interest rates. We have established policies and procedures to manage such risks; however, certain risks are beyond our control.

Pricing Risks

Commodity Price Risk

Our consolidated revenues include the sale of iron ore pellets, iron ore lump and iron ore fines. Our financial results can vary significantly as a result of fluctuations in the market prices of iron ore. World market prices for these commodities have fluctuated historically and are affected by numerous factors beyond our control. The world market

Table of Contents

price that most commonly is utilized in our iron ore sales contracts is the Platts 62 percent Fe fines spot rate pricing, which can fluctuate widely due to numerous factors, such as global economic growth or contraction, change in demand for steel or changes in availability of supply.

Provisional Pricing Arrangements

Certain of our U.S. Iron Ore and Asia Pacific Iron Ore customer supply agreements specify provisional price calculations, where the pricing mechanisms generally are based on market pricing, with the final revenue rate to be based on market inputs at a specified point in time in the future, per the terms of the supply agreements. The difference between the provisionally agreed-upon price and the estimated final revenue rate is characterized as a derivative and is required to be accounted for separately once the revenue has been recognized. The derivative instrument is adjusted to fair value through Product revenues each reporting period based upon current market data and forward-looking estimates provided by management until the final revenue rate is determined.

At June 30, 2015, we have recorded $0.2 million as derivative assets included in Other current assets and $8.0 million as derivative liabilities included in Other current liabilities in the Statements of Unaudited Condensed Consolidated Financial Position related to our estimate of final revenue rate with our U.S. Iron Ore and Asia Pacific Iron Ore customers. These amounts represent the difference between the provisional price agreed upon with our customers based on the supply agreement terms and our estimate of the final sales rate based on the price calculations established in the supply agreements. As a result, we recognized a net $8.4 million increase and a net $7.8 million decrease in Product revenues in the Statements of Unaudited Condensed Consolidated Operations for the three and six months ended June 30, 2015 related to these arrangements.

Customer Supply Agreements

A certain supply agreement with one U.S. Iron Ore customer provides for supplemental revenue or refunds based on the customer's average annual steel pricing at the time the product is consumed in the customer's blast furnace. The supplemental pricing is characterized as a freestanding derivative, which is finalized based on a future price, and is adjusted to fair value as a revenue adjustment each reporting period until the pellets are consumed and the amounts are settled. The fair value of the instrument is determined using an income approach based on an estimate of the annual realized price of hot-rolled steel at the steelmaker's facilities.

At June 30, 2015, we had a derivative asset of $7.5 million, representing the fair value of the pricing factors, based upon the amount of unconsumed tons and an estimated average hot-band steel price related to the period in which the tons are expected to be consumed in the customer's blast furnace at each respective steelmaking facility, subject to final pricing at a future date. This compares with a derivative asset of $63.2 million as of December 31, 2014. We estimate that a $75 change in the average hot-band steel price realized from the June 30, 2015 estimated price recorded would cause the fair value of the derivative instrument to increase or decrease by approximately $25.0 million, thereby impacting our consolidated revenues by the same amount.

We have not entered into any hedging programs to mitigate the risk of adverse price fluctuations; however certain of our term supply agreements contain price collars, which typically limit the percentage increase or decrease in prices for our products during any given year.

Volatile Energy and Fuel Costs

The volatile cost of energy is an important issue affecting our production costs, primarily in relation to our iron ore operations. Our consolidated U.S. Iron Ore mining ventures consumed approximately 10.0 million MMBtu's of natural gas at an average delivered price of $3.95 per MMBtu inclusive of the natural gas hedge impact or $3.66 per MMBtu net of the natural gas hedge impact during the first half of 2015. Additionally, our consolidated U.S. Iron Ore mining ventures consumed approximately 14.4 million gallons of diesel fuel at an average delivered price of $2.09 per gallon inclusive of the diesel fuel hedge impact or $2.00 per gallon net of the diesel fuel hedge impact during the first half of 2015. The hedging of natural gas and diesel is further discussed later in this section. Consumption of diesel fuel by our Asia Pacific operations was approximately 5.2 million gallons at an average delivered price of $1.79 per gallon for the same period.

In the ordinary course of business, there may also be increases in prices relative to electrical costs at our U.S. mine sites. Specifically, our Tilden and Empire mines in Michigan have entered into large curtailable special contracts with

Wisconsin Electric Power Company. Charges under those special contracts are subject to a power supply cost recovery mechanism that is based on variations in the utility's actual fuel and purchase power expenses.
Our strategy to address increasing energy rates includes improving efficiency in energy usage, identifying alternative providers and utilizing the lowest cost alternative fuels. A pilot energy hedging program was implemented in

---

Table of Contents

order to manage the price risk of diesel and natural gas at our U.S. Iron Ore mines. This pilot program began in January 2015 and concluded during the beginning of April 2015. Based on the results of this pilot program, a more structured hedging program is being evaluated and may be implemented in the future. We will continue to monitor relevant energy markets for risk mitigation opportunities and may make additional forward purchases or employ other hedging instruments in the future as warranted and deemed appropriate by management. Assuming we do not enter into further hedging activity in the near term, a 10 percent change in natural gas and diesel fuel prices would result in a change of approximately $5.7 million in our annual fuel and energy cost based on expected consumption for the remainder of 2015.

Valuation of Other Long-Lived Assets

Long-lived assets are reviewed for impairment upon the occurrence of events or changes in circumstances that would indicate that the carrying value of the assets may not be recoverable. Such indicators may include, among others: a significant decline in expected future cash flows; a sustained, significant decline in market pricing; a significant adverse change in legal or environmental factors or in the business climate; changes in estimates of our recoverable reserves; unanticipated competition; and slower growth or production rates. Any adverse change in these factors could have a significant impact on the recoverability of our long-lived assets and could have a material impact on our consolidated statements of operations and statement of financial position.

A comparison of each asset group's carrying value to the estimated undiscounted future cash flows expected to result from the use of the assets, including cost of disposition, is used to determine if an asset is recoverable. Projected future cash flows reflect management's best estimates of economic and market conditions over the projected period, including growth rates in revenues and costs, estimates of future expected changes in operating margins and capital expenditures. If the carrying value of the asset group is higher than its undiscounted future cash flows, the asset group is measured at fair value and the difference is recorded as a reduction to the long-lived assets. We estimate fair value using a market approach, an income approach or a cost approach.

Foreign Currency Exchange Rate Risk

We are subject to changes in foreign currency exchange rates as a result of our operations in Australia, which could impact our financial condition. With respect to Australia, foreign exchange risk arises from our exposure to fluctuations in foreign currency exchange rates because our reporting currency is the U.S. dollar, but the functional currency of our Asia Pacific operations is the Australian dollar. Our Asia Pacific operations receive funds in U.S. currency for their iron ore sales and incur costs in Australian currency.

At June 30, 2015, we had one outstanding Australian foreign exchange rate contract with a notional amount of $10.0 million for which we elected hedge accounting. One outstanding Australian foreign exchange rate contract matured in May 2015 and the other matures in September 2015. A 10 percent increase in the value of the Australian dollar from the month-end rate would increase the fair value of this contract to approximately negative $0.3 million, and a 10 percent decrease would reduce the fair value to approximately negative $2.1 million. Due to the uncertainty of 2015 hedge exposures, we have suspended entering into new foreign exchange rate contracts. As discussed in NOTE 1 - BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES, we have waived compliance with our current derivative financial instruments and hedging activities policy through December 31, 2015. In the future, we may enter into additional hedging instruments as needed in order to further hedge our exposure to changes in foreign currency exchange rates.

The following table represents our foreign currency exchange contract position for contracts held as cash flow hedges as of June 30, 2015:

	($ in Millions)			
Contract Maturity	Notional Amount	Weighted Average Exchange Rate	Spot Rate	Fair Value
Contract Portfolio [1] :				
AUD Contracts expiring in the next 12 months	$10.0	0.88	0.7707	$(1.2)

[1] Includes collar options and forward contracts.

Refer to NOTE 13 - DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES for further information.

Table of Contents

Interest Rate Risk

Interest payable on our senior notes is at fixed rates. Interest payable under our ABL Facility is at a variable rate based upon the base rate plus the base rate margin depending on the excess availability. As of June 30, 2015, we had no amounts drawn on the ABL Facility.

The interest rate payable on the $500.0 million senior notes due in 2018 may be subject to adjustments from time to time if either Moody's or S&P or, in either case, any Substitute Rating Agency thereof downgrades (or subsequently upgrades) the debt rating assigned to the notes. In no event shall (1) the interest rate for the notes be reduced to below the interest rate payable on the notes on the date of the initial issuance of notes or (2) the total increase in the interest rate on the notes exceed 2.00 percent above the interest rate payable on the notes on the date of the initial issuance of notes. Throughout 2014, the interest rate payable on the $500 million 3.95 percent senior notes due was increased from 3.95 percent ultimately to 5.70 percent based on Substitute Rating Agency downgrades throughout the year. During the first quarter of 2015, subsequent to a downgrade, the interest rate was further increased to 5.95 percent. This maximum rate increase of 2.00 percent has resulted in an additional interest expense of $8.7 million per annum based upon the $436.0 million principal balance outstanding as of June 30, 2015.

Supply Concentration Risks

Many of our mines are dependent on one source each of electric power and natural gas. A significant interruption or change in service or rates from our energy suppliers could impact materially our production costs, margins and profitability.

Outlook

We provide full-year expected revenues-per-ton ranges based on different assumptions of seaborne iron ore prices. We indicated that each different pricing assumption holds all other assumptions constant, including customer mix, as well as industrial commodity prices, freight rates, energy prices, production input costs and/or hot-band steel prices (all factors contained in certain of our supply agreements).

The table below provides certain Platts IODEX averages for the remaining six months and the corresponding full-year realization for the U.S. Iron Ore and Asia Pacific Iron Ore segments. The estimates consider actual Platts IODEX rates for the first half of 2015. We previously furnished 2015 pricing expectations on April 28, 2015. Due primarily to a significant price forecast adjustment for hot-band steel for one major customer contract based on information provided by that customer,we have lowered our revenues-per-ton expectations for U.S. Iron Ore. Expectations of revenue realizations for Asia Pacific Iron Ore have not changed significantly since the end of the first quarter.

2015 Full-Year Realized Revenues-Per-Ton Range Summary

July - Dec. Platts IODEX (1)	U.S. Iron Ore (2)	Asia Pacific Iron Ore (3)
$30	$75 - $80	$30 - $35
$35	$75 - $80	$30 - $35
$40	$75 - $80	$35 - $40
$45	$75 - $80	$35 - $40
$50	$75 - $80	$35 - $40
$55	$75 - $80	$40 - $45
$60	$75 - $80	$40 - $45
$65	$80 - $85	$45 - $50
$70	$80 - $85	$45 - $50
$75	$80 - $85	$45 - $50
$80	$80 - $85	$50 - $55

(1) The Platts IODEX is the benchmark assessment based on a standard specification of iron ore fines with 62% iron content (C.F.R. China).

(2) U.S. Iron Ore tons are reported in long tons of pellets.

(3) Asia Pacific Iron Ore tons are reported in metric tons of lump and fines, F.O.B. the port.

Table of Contents

U.S. Iron Ore Outlook (Long Tons)

For 2015, we are lowering our full-year sales and production volume expectation by 1.5 million tons to 19 million tons of iron ore pellets, reflecting currently low capacity utilization rates among our U.S. steel customers, mainly attributed to heavy imported steel penetration. We expect these conditions to improve in the second half of 2015, but is basing the sales forecast on current nominations.

Despite the reduction in production tonnage, we are maintaining our previous cash production cost[3] expectation of $55 - $60 per ton and the previous cash cost of goods sold per ton[3] expectation of $60 - $65.

Depreciation, depletion and amortization for full-year 2015 is expected to be approximately $5 per ton.

Asia Pacific Iron Ore Outlook (Metric Tons, F.O.B. the port)

We are maintaining our full-year 2015 Asia Pacific Iron Ore expected sales and production volumes of approximately 11 million tons. The product mix is expected to contain 52 percent lump and 48 percent fines.

Based on a full-year average exchange rate of $0.77 U.S. Dollar to Australian Dollar, we are maintaining our full-year 2015 Asia Pacific Iron Ore cash production cost per ton[3] expectation of $30 - $35. Our cash cost of goods sold per ton[3] expectation of $35 - $40 was also maintained.

We anticipate depreciation, depletion and amortization to be approximately $3 per ton for full-year 2015.

The following table provides a summary of our 2015 guidance for our two continuing business segments:

	2015 Outlook Summary	
	U.S. Iron Ore (A)	Asia Pacific Iron Ore (B)
Sales volume (million tons)	19	11
Production volume (million tons)	19	11
Cash production cost per ton[3]	$55 - $60	$30 - $35
Cash cost of goods sold per ton[3]	$60 - $65	$35 - $40
DD&A per ton	$5	$3

(A) U.S. Iron Ore tons are reported in long tons of pellets.

(B) Asia Pacific Iron Ore tons are reported in metric tons of lumps and fines.

SG&A Expenses and Other Expectations

We are maintaining our full-year 2015 SG&A expenses expectation of $120 million.

We expect full-year 2015 interest expense to be approximately $235 million, of which approximately $205 million is cash interest. Consolidated full-year 2015 depreciation, depletion and amortization is expected to be approximately $145 million.

We expect to receive a cash tax refund during the third quarter of 2015 of approximately $160 million.

Capital Budget Update

We are maintaining our full-year 2015 capital expenditures budget in the range of $100 - $125 million. The spending range includes outflows related to North American Coal and assumes no additional asset divestitures.

Table of Contents

Forward-Looking Statements

This report contains statements that constitute "forward-looking statements" within the meaning of the federal securities laws. As a general matter, forward-looking statements relate to anticipated trends and expectations rather than historical matters. Forward-looking statements are subject to uncertainties and factors relating to Cliffs' operations and business environment that are difficult to predict and may be beyond our control. Such uncertainties and factors may cause actual results to differ materially from those expressed or implied by the forward-looking statements. These statements speak only as of the date of this report, and we undertake no ongoing obligation, other than that imposed by law, to update these statements. Uncertainties and risk factors that could affect Cliffs' future performance and cause results to differ from the forward-looking statements in this report include, but are not limited to:

- our ability to successfully execute an exit option for our Canadian Entities that minimizes the cash outflows and associated liabilities of such entities, including the CCAA process;
- trends affecting our financial condition, results of operations or future prospects, particularly the continued volatility of iron ore and coal prices;
- availability of capital and our ability to maintain adequate liquidity;
- uncertainty or weaknesses in global economic conditions, including downward pressure on prices caused by oversupply or imported products, reduced market demand and any change to the economic growth rate in China;
- our ability to successfully identify and consummate any strategic investments and complete planned divestitures, including with respect to our North American Coal operating segment;
- our ability to successfully diversify our product mix and add new customers beyond our traditional blast furnace clientele;
- the outcome of any contractual disputes with our customers, joint venture partners or significant energy, material or service providers or any other litigation or arbitration;
- the ability of our customers and joint venture partners to meet their obligations to us on a timely basis or at all;
- our ability to reach agreement with our iron ore customers regarding any modifications to sales contract provisions or renewals;
- the impact of price-adjustment factors on our sales contracts;
- changes in sales volume or mix;
- our actual levels of capital spending;
- our actual economic iron ore and coal reserves or reductions in current mineral estimates, including whether any mineralized material qualifies as a reserve;
- the impact of our customers using other methods to produce steel or reducing their steel production;
- events or circumstances that could impair or adversely impact the viability of a mine and the carrying value of associated assets, as well as any resulting impairment charges;
- the results of prefeasibility and feasibility studies in relation to projects;
- impacts of existing and increasing governmental regulation and related costs and liabilities, including failure to receive or maintain required operating and environmental permits, approvals, modifications or other authorization of, or from, any governmental or regulatory entity and costs related to implementing improvements to ensure compliance with regulatory changes;
- our ability to cost-effectively achieve planned production rates or levels;
- uncertainties associated with natural disasters, weather conditions, unanticipated geological conditions, supply or price of energy, equipment failures and other unexpected events;
- adverse changes in currency values, currency exchange rates, interest rates and tax laws;
- our ability to maintain appropriate relations with unions and employees and enter into or renew collective bargaining agreements on satisfactory terms;
- risks related to international operations;
- availability of capital equipment and component parts;
- the potential existence of significant deficiencies or material weakness in our internal control over financial reporting;
-

problems or uncertainties with productivity, tons mined, transportation, mine-closure obligations, environmental liabilities, employee-benefit costs and other risks of the mining industry; and

- the risk factors identified in Part I - Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2014.

Table of Contents

For additional factors affecting the business of Cliffs, refer to Part II - Item 1A - Risk Factors. You are urged to carefully consider these risk factors.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Information regarding our Market Risk is presented under the caption Market Risks, which is included in our Annual Report on Form 10-K for the year ended December 31, 2014 and in the Management's Discussion and Analysis section of this report.

Item 4. Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our President and Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure based solely on the definition of "disclosure controls and procedures" in Rule 13a-15(e) promulgated under the Exchange Act. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible 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 management, including our President and Chief Executive Officer and our Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on the foregoing, our President and Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective.

There have been no changes in our internal control over financial reporting or in other factors that occurred during our last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. See "Management's Report on Internal Control Over Financial Reporting" and "Report of Independent Registered Public Accounting Firm" in our Annual Report on Form 10-K for the year ended December 31, 2014.

Table of Contents

PART II

Item 1. Legal Proceedings

Alabama Dust Litigation. There are currently three cases in the Alabama state court system that comprise the Alabama Dust Litigation. Generally, these claims are brought by nearby homeowners who allege that dust emanating from the Concord Preparation Plant causes damage to their properties. All three of these cases are active and the parties are attempting to resolve these cases as a class action settlement and in July 2015, the court entered a preliminary approval order in that regard.

ERISA Litigation. On May 14, 2015, a lawsuit was filed in the United States District Court for the Northern District of Ohio captioned Paul Saumer, individually and on behalf of all others similarly situated, v. Cliffs Natural Resources Inc. et al., No. 1:15-CV-00954. This action was purportedly brought on behalf of the Northshore and Silver Bay Power Company Retirement Savings Plan (the "Plan") and certain participants and beneficiaries of the Plan during the class period, defined in the complaint as April 2, 2012 to the present, against Cliffs Natural Resources Inc., its investment committee, Northshore, the Employee Benefits Administration Department of Northshore, and certain current and former officers and directors. The suit alleges that the defendants breached their duties to the plaintiffs and the Plan in violation of ERISA fiduciary rules by, among other things, continuing to offer and hold Cliffs Natural Resources Inc. stock as a Plan investment option during the class period. The relief sought includes a request for a judgment ordering the defendants to make good to the Plan all losses to the Plan resulting from the breaches of fiduciary duties. The lawsuit has been referred to our insurance carriers.

Michigan Electricity Matters. On February 19, 2015, in connection with various proceedings before FERC with respect to certain cost allocations for continued operation of the Presque Isle Power Plant in Marquette, Michigan, FERC issued an order directing MISO to submit a revised methodology for allocating SSR costs that identified the load serving entities that require the operation of SSR units at the power plant for reliability purposes. On May 20, 2015, MISO submitted a revised methodology in response to the FERC order. Should FERC award SSR costs based on the revised cost allocation methodology applied retroactively, we estimate that the potential liability to our Empire and Tilden mines is approximately $13.5 million. We, however, continue to challenge the imposition of any SSR costs before FERC and the U.S. Court of Appeals for the D.C. Circuit.

Putative Class Action Lawsuits. In May 2014, alleged purchasers of our common shares filed suit in the U.S. District Court for the Northern District of Ohio against us and certain current and former officers and directors of the Company. The action is captioned Department of the Treasury of the State of New Jersey and Its Division of Investment v. Cliffs Natural Resources Inc., et al., No. 1:14-CV-1031. The action asserts violations of the federal securities laws based on alleged false or misleading statements or omissions during the period of March 14, 2012 to March 26, 2013, regarding operations at our Bloom Lake mine in Québec, Canada, and the impact of those operations on our finances and outlook, including sustainability of the dividend, and that the alleged misstatements caused our common shares to trade at artificially inflated prices. The lawsuit seeks class certification and an award of monetary damages to the putative class in an unspecified amount, along with costs of suit and attorneys' fees. The parties have agreed to attempt to mediate this dispute. All discovery and pending motions are stayed until after the conclusion of the mediation proceeding, which is currently scheduled for September 2015. The lawsuit has been referred to our insurance carriers.

In June 2014, an alleged purchaser of the depositary shares issued by Cliffs in a public offering in February 2013 filed a putative class action, which is captioned Rosenberg v. Cliffs Natural Resources Inc., et al., and after a round of removal and remand motions, is now pending in Cuyahoga County Court of Common Pleas, No. CV-14-828140. The suit asserts claims against us, certain current and former officers and directors of the Company, and several underwriters of the offering, alleging disclosure violations in the registration statement regarding operations at our Bloom Lake mine and the impact of those operations on our finances and outlook. This action seeks class certification and monetary relief in an unspecified amount, along with costs of suit and attorneys' fees. The defendants have filed a motion to dismiss the complaint. This lawsuit has been referred to our insurance carriers.

Southern Natural Gas Lawsuit. On July 23, 2014, Southern Natural Gas Company, L.L.C. filed a lawsuit in the Circuit Court of Jefferson County, Alabama (Case No. 68-CV-2014-900533.00) against the Company and others. The

suit seeks to prevent coal mining activity underneath a gas pipeline at our Oak Grove property and to require defendants to pay the costs associated with relocating that pipeline. The suit seeks declaratory judgment, permanent injunctive relief and nuisance damages. The Circuit Court denied our motion to dismiss the complaint and we subsequently filed a petition for a writ of mandamus in the Alabama Supreme Court requesting that it direct the Circuit Court to dismiss the case for lack of subject matter jurisdiction, which motion was denied. We also filed a Joinder of Additional Parties, including Kinder Morgan, Inc., and a Counterclaim, asserting breach or repudiation of easement agreements, interference

---

Table of Contents

with business relations, and slander of title. The parties' respective motions for summary judgment were denied by the Circuit Court in June, 2015. Discovery is ongoing.

Item 1A. Risk Factors

Our Annual Report on Form 10-K for the year ended December 31, 2014 includes a detailed discussion of our risk factors. The information presented below amends, updates and should be read in conjunction with the risk factors and information disclosed in that Form 10-K and in our Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2015.

We are subject to bankruptcy risks relating to our Canadian operations.

As previously disclosed, the Bloom Lake Group commenced the CCAA process in January 2015 to address the Bloom Lake Group's immediate liquidity issues and to preserve and protect its assets for the benefit of all stakeholders while restructuring and/or sale options are explored. In May 2015, the Wabush Group commenced restructuring proceedings and, as a result, the CCAA protection granted to the Bloom Lake Group has been extended to include the Wabush Group. Certain obligations of the Bloom Lake Group, including equipment loans, are guaranteed by Cliffs. Financial instruments are posted by Cliffs to support certain reclamation obligations of the Wabush Group. It is possible that (a) as part of the CCAA process (i) claims may be asserted by or on behalf of the Bloom Lake Group or the Wabush Group against non-debtor affiliates of the Bloom Lake Group and the Wabush Group and/or (ii) claims of non-debtor affiliates against the Bloom Lake Group or the Wabush Group may be challenged and (b) creditors of the Bloom Lake Group or the Wabush Group may assert claims against non-debtor affiliates of the Bloom Lake Group or the Wabush Group under the guarantees discussed above. While we anticipate the restructuring and/or sale of the Bloom Lake Group and the Wabush Group assets may mitigate these risks, to the extent that any claims are successful or the Bloom Lake Group’s obligations guaranteed by Cliffs are not satisfied in full by any such restructuring or sale, Cliffs could be held liable for certain obligations.

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

The following table presents information with respect to repurchases by the Company of our common shares during the periods indicated.

ISSUER PURCHASES OF EQUITY SECURITIES

Period	Total Number of Shares (or Units) Purchased [1]	Average Price Paid per Share (or Unit) [1]	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs [2]	Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet be Purchased Under the Plans or Programs [2]
April 1 - 30, 2015	—	$—	—	$200,000,000
May 1 - 31, 2015	7,753	$5.70	—	$200,000,000
June 1 - 30, 2015	—	$—	—	$200,000,000
	7,753	$5.70	—	$200,000,000

(1) These shares were delivered to us by employees to satisfy tax withholding obligations due upon the vesting or payment of stock awards.

(2) On August 25, 2014, the Board of Directors authorized a new share repurchase plan pursuant to which we may buy back our outstanding common shares in the open market or in private negotiated transactions up to a maximum of $200 million dollars. No shares have been purchased through June 30, 2015. The authorization is active until December 31, 2015.

Item 4. Mine Safety Disclosures

We are committed to protecting the occupational health and well-being of each of our employees. Safety is one of our Company's core values and we strive to ensure that safe production is the first priority for all employees. Our internal objective is to achieve zero injuries and incidents across the Company by focusing on proactively identifying needed prevention activities, establishing standards and evaluating performance to mitigate any potential loss to people, equipment, production and the environment. We have implemented intensive employee training that is geared toward maintaining a high level of awareness and knowledge of safety and health issues in the work environment through the development and coordination of requisite information, skills and attitudes. We believe that through these policies our Company has developed an effective safety management system.

Under the Dodd-Frank Act, each operator of a coal or other mine is required to include certain mine safety results within its periodic reports filed with the SEC. As required by the reporting requirements included in §1503(a) of the Dodd-Frank Act and Item 104 of Regulation S-K, the required mine safety results regarding certain mining safety and health matters for each of our mine locations that are covered under the scope of the Dodd-Frank Act are included in Exhibit 95 of Item 6. Exhibits of this Quarterly Report on Form 10-Q.

Item 6. Exhibits

(a) List of Exhibits — Refer to Exhibit Index on pg. 75.

Table of Contents

Table of Contents

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.

CLIFFS NATURAL RESOURCES INC.

By: /s/ Timothy K. Flanagan
Name: Timothy K. Flanagan
Title: Vice President, Corporate Controller and Chief Accounting Officer

Date: July 29, 2015

Table of Contents

EXHIBIT INDEX

All documents referenced below have been filed pursuant to the Securities Exchange Act of 1934 by Cliffs Natural Resources Inc., file number 1-09844, unless otherwise indicated.

Exhibit Number	Exhibit
10.1	*Cliffs Natural Resources Inc. 2015 Equity and Incentive Compensation Plan (filed as Exhibit 10.1 to Cliffs' Form 8-K on May 21, 2015 and incorporated herein by reference)
31.1	Certification Pursuant to 15 U.S.C. Section 7241, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, signed and dated by Lourenco Goncalves as of July 29, 2015 (filed herewith)
31.2	Certification Pursuant to 15 U.S.C. Section 7241, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, signed and dated by P. Kelly Tompkins as of July 29, 2015 (filed herewith)
32.1	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, signed and dated by Lourenco Goncalves, Chairman, President and Chief Executive Officer of Cliffs Natural Resources Inc., as of July 29, 2015 (filed herewith)
32.2	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, signed and dated by P. Kelly Tompkins, Executive Vice President and Chief Financial Officer of Cliffs Natural Resources Inc., as of July 29, 2015 (filed herewith)
95	Mine Safety Disclosures (filed herewith)
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

* Indicates management contract or other compensatory arrangement.