CHICAGO BRIDGE & IRON CO N V
Form 10-Q
October 28, 2016

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

FORM 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2016
OR
o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
Commission File Number 1-12815

CHICAGO BRIDGE & IRON COMPANY N.V.

The Netherlands	Prinses Beatrixlaan 35	98-0420223
(State or other jurisdiction of	2595 AK The Hague	(I.R.S. Employer Identification No.)
incorporation or organization)	The Netherlands	
	31 70 373 2010	
	(Address and telephone number of principal executive offices)	

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
x Yes o No
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
x Yes o No
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
o Yes x No
The number of shares outstanding of the registrant’s common stock as of October 18, 2016 – 100,086,084

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PART I—FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

CHICAGO BRIDGE & IRON COMPANY N.V.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
	(Unaudited)			
Revenue	$2,776,177	$3,321,682	$8,139,525	$9,654,540
Cost of revenue	2,449,609	2,943,965	7,230,826	8,523,529
Gross profit	326,568	377,717	908,699	1,131,011
Selling and administrative expense	87,814	93,672	263,142	287,926
Intangibles amortization	10,485	14,948	32,256	45,542
Equity earnings	(5,394)	(1,154)	(11,369)	(5,750)
Goodwill impairment	—	453,100	—	453,100
Loss on net assets held for sale and intangible assets impairment	—	707,380	—	707,380
Other operating expense (income), net	141	(267)	1,075	1,870
Income (loss) from operations	233,522	(889,962)	623,595	(359,057)
Interest expense	(26,433)	(25,025)	(78,404)	(68,425)
Interest income	2,608	2,058	8,156	6,290
Income (loss) before taxes	209,697	(912,929)	553,347	(421,192)
Income tax (expense) benefit	(41,278)	187,375	(132,418)	38,275
Net income (loss)	168,419	(725,554)	420,929	(382,917)
Less: Net income attributable to noncontrolling interests	(46,659)	(14,879)	(68,405)	(55,773)
Net income (loss) attributable to CB&I	$121,760	$(740,433)	$352,524	$(438,690)
Net income (loss) attributable to CB&I per share:				
Basic	$1.20	$(7.02)	$3.40	$(4.08)
Diluted	$1.20	$(7.02)	$3.37	$(4.08)
Weighted average shares outstanding:				
Basic	101,102	105,454	103,725	107,440
Diluted	101,863	105,454	104,555	107,440
Cash dividends on shares:				
Amount	$6,995	$7,333	$21,726	$22,540
Per share	$0.07	$0.07	$0.21	$0.21

The accompanying Notes are an integral part of these Condensed Consolidated Financial Statements.

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CHICAGO BRIDGE & IRON COMPANY N.V.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
	(Unaudited)			
Net income (loss)	$168,419	$(725,554)	$420,929	$(382,917)
Other comprehensive income (loss), net of tax:				
Change in cumulative translation adjustment	2,259	(24,944)	1,290	(61,069)
Change in unrealized fair value of cash flow hedges	155	948	1,198	868
Change in unrecognized prior service pension credits/costs	(80)	(103)	(236)	(623)
Change in unrecognized actuarial pension gains/losses	427	2,036	2,843	12,035
Comprehensive income (loss)	171,180	(747,617)	426,024	(431,706)
Net income attributable to noncontrolling interests	(46,659)	(14,879)	(68,405)	(55,773)
Change in cumulative translation adjustment attributable to noncontrolling interests	(750)	2,717	(1,294)	3,838
Comprehensive income (loss) attributable to CB&I	$123,771	$(759,779)	$356,325	$(483,641)

The accompanying Notes are an integral part of these Condensed Consolidated Financial Statements.

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CHICAGO BRIDGE & IRON COMPANY N.V.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands)

	September 30, 2016 (Unaudited)		December 31, 2015	
Assets				
Cash and cash equivalents ($406,225 and $410,989 related to variable interest entities ("VIEs"))	$	614,966	$	550,221
Accounts receivable, net ($194,874 and $334,232 related to VIEs)	1,284,799		1,331,217	
Inventory	240,185		289,658	
Costs and estimated earnings in excess of billings ($22,514 and $28,130 related to VIEs)	744,923		688,314	
Other current assets ($444,468 and $372,523 related to VIEs)	580,079		507,889	
Total current assets	3,464,952		3,367,299	
Equity investments	159,326		136,845	
Property and equipment, net ($17,455 and $19,040 related to VIEs)	578,371		604,043	
Goodwill	3,712,608		3,711,506	
Other intangibles, net	379,578		410,949	
Deferred income taxes	540,670		633,627	
Other non-current assets	333,794		327,791	
Total assets	$	9,169,299	$	9,192,060
Liabilities				
Revolving facility and other short-term borrowings	$	569,000	$	653,000
Current maturities of long-term debt, net	372,686		147,871	
Accounts payable ($437,203 and $405,853 related to VIEs)	1,173,907		1,162,077	
Billings in excess of costs and estimated earnings ($577,193 and $846,180 related to VIEs)	1,737,863		1,934,111	
Other current liabilities	1,134,315		959,889	

Total current liabilities	4,987,771		4,856,948	
Long-term debt, net	1,456,114		1,791,832	
Deferred income taxes	8,300		10,239	
Other non-current liabilities	370,258		369,451	
Total liabilities	6,822,443		7,028,470	
Shareholders' Equity				
Common stock, Euro .01 par value; shares authorized: 250,000; shares issued: 108,857 and 108,857; shares outstanding: 99,936 and 104,427	1,288		1,288	
Additional paid-in capital	778,516		800,641	
Retained earnings	2,043,306		1,712,508	
Treasury stock, at cost: 8,921 and 4,430 shares	(353,463	)	(206,407	)
Accumulated other comprehensive loss	(290,239	)	(294,040	)
Total CB&I shareholders' equity	2,179,408		2,013,990	
Noncontrolling interests	167,448		149,600	
Total shareholders' equity	2,346,856		2,163,590	
Total liabilities and shareholders' equity	$ 9,169,299		$ 9,192,060	

The accompanying Notes are an integral part of these Condensed Consolidated Financial Statements.

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CHICAGO BRIDGE & IRON COMPANY N.V.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Nine Months Ended September 30,	
	2016	2015
	(Unaudited)	
Cash Flows from Operating Activities		
Net income (loss)	$420,929	$(382,917)
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	93,285	128,261
Goodwill impairment	—	453,100
Loss on net assets held for sale and intangible assets impairment	—	707,380
Deferred income taxes	87,161	(112,880)
Stock-based compensation expense	31,172	48,324
Other operating expense, net	1,075	1,870
Unrealized loss on foreign currency hedges	1,525	611
Excess tax benefits from stock-based compensation	(48)	(326)
Changes in operating assets and liabilities:		
Decrease (increase) in receivables, net	46,418	(157,645)
Change in contracts in progress, net	(252,857)	(783,027)
Decrease (increase) in inventory	49,473	(13,111)
Increase (decrease) in accounts payable	11,830	(28,671)
Increase in other current and non-current assets	(13,106)	(44,303)
Increase (decrease) in other current and non-current liabilities	13,525	(36,355)
(Increase) decrease in equity investments	(3,974)	24,859
Change in other, net	8,633	21,408
Net cash provided by (used in) operating activities	495,041	(173,422)
Cash Flows from Investing Activities		
Capital expenditures	(37,855)	(53,894)
Advances with partners of proportionately consolidated ventures, net	(54,158)	(218,098)
Proceeds from sale of property and equipment	2,973	6,273
Other, net	(62,646)	(52,149)
Net cash used in investing activities	(151,686)	(317,868)
Cash Flows from Financing Activities		
Revolving facility and other short-term (repayments) borrowings, net	(84,000)	338,259
Long-term borrowings	—	700,000
Advances with equity method and proportionately consolidated ventures, net	195,645	184,029
Repayments on long-term debt	(112,500)	(354,479)
Excess tax benefits from stock-based compensation	48	326
Purchase of treasury stock	(206,443)	(210,748)
Issuance of stock	12,405	15,698
Dividends paid	(21,726)	(22,540)
Distributions to noncontrolling interests	(51,851)	(28,662)
Net cash (used in) provided by financing activities	(268,422)	621,883
Effect of exchange rate changes on cash and cash equivalents	(10,188)	(58,016)
Increase in cash and cash equivalents	64,745	72,577
Cash and cash equivalents, beginning of the year	550,221	351,323
Cash and cash equivalents, end of the period	$614,966	$423,900

The accompanying Notes are an integral part of these Condensed Consolidated Financial Statements.

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CHICAGO BRIDGE & IRON COMPANY N.V.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(In thousands, except per share data)

	Nine Months Ended September 30, 2016								
	Common Stock				Treasury Stock		Accumulated		
	Shares	Amount	Additional Paid-In Capital	Retained Earnings	Shares	Amount	Other Comprehensive (Loss) Income	Non - controlling Interests	Total Shareholders' Equity
	(Unaudited)								
Balance at December 31, 2015	104,427	$1,288	$800,641	$1,712,508	4,430	$(206,407)	$(294,040)	$149,600	$2,163,590
Net income	—	—	—	352,524	—	—	—	68,405	420,929
Change in cumulative translation adjustment, net	—	—	—	—	—	—	(4)	1,294	1,290
Change in unrealized fair value of cash flow hedges, net	—	—	—	—	—	—	1,198	—	1,198
Change in unrecognized prior service pension credits/costs, net	—	—	—	—	—	—	(236)	—	(236)
Change in unrecognized actuarial pension gains/losses, net	—	—	—	—	—	—	2,843	—	2,843
Distributions to noncontrolling interests	—	—	—	—	—	—	—	(51,851)	(51,851)
Dividends paid ($0.21 per share)	—	—	—	(21,726)	—	—	—	—	(21,726)
Stock-based compensation expense	—	—	31,172	—	—	—	—	—	31,172
Purchase of treasury stock	(5,768)	—	—	—	5,768	(206,443)	—	—	(206,443)
Issuance of stock	1,277	—	(53,297)	—	(1,277)	59,387	—	—	6,090

Balance at September 30, 2016	99,936	$1,288	$778,516	$2,043,306	8,921	$(353,463)	$(290,239)	$167,448	$2,346,856

	Nine Months Ended September 30, 2015								
	Common Stock				Treasury Stock		Accumulated		
	Shares	Amount	Additional Paid-In Capital	Retained Earnings	Shares	Amount	Other Comprehensive (Loss) Income	Non - controlling Interests	Total Shareholders' Equity
	(Unaudited)								
Balance at December 31, 2014	107,806	$1,283	$776,864	$2,246,770	601	$(24,428)	$(262,397)	$138,211	$2,876,303
Net (loss) income	—	—	—	(438,690)	—	—	—	55,773	(382,917)
Change in cumulative translation adjustment, net	—	—	—	—	—	—	(57,231)	(3,838)	(61,069)
Change in unrealized fair value of cash flow hedges, net	—	—	—	—	—	—	868	—	868
Change in unrecognized prior service pension credits/costs, net	—	—	—	—	—	—	(623)	—	(623)
Change in unrecognized actuarial pension gains/losses, net	—	—	—	—	—	—	12,035	—	12,035
Distributions to noncontrolling interests	—	—	—	—	—	—	—	(28,662)	(28,662)
Dividends paid ($0.21 per share)	—	—	—	(22,540)	—	—	—	—	(22,540)
Stock-based compensation expense	—	—	48,324	—	—	—	—	—	48,324
Issuance to treasury stock	—	5	19,894	—	450	(19,899)	—	—	—
Purchase of treasury stock	(4,480)	—	—	—	4,480	(210,748)	—	—	(210,748)
Issuance of stock	1,396	—	(47,418)	—	(1,396)	58,449	—	—	11,031

Balance at September 30, 2015	104,722	$ 1,288	$ 797,664	$ 1,785,540	4,135	$ (196,626)	$ (307,348)	$ 161,484	$ 2,242,002

The accompanying Notes are an integral part of these Condensed Consolidated Financial Statements.

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CHICAGO BRIDGE & IRON COMPANY N.V.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2016
($ and share values in thousands, except per share data)
(Unaudited)

1. ORGANIZATION AND NATURE OF OPERATIONS

Organization and Nature of Operations—Founded in 1889, Chicago Bridge & Iron Company N.V. ("CB&I" or the "Company") provides a wide range of services, including conceptual design, technology, engineering, procurement, fabrication, modularization, construction, commissioning, maintenance, program management and environmental services to customers in the energy infrastructure market throughout the world, and is a provider of diversified government services. Our business is aligned into four operating groups, which represent our reportable segments: (1) Engineering & Construction; (2) Fabrication Services; (3) Technology; and (4) Capital Services. See Note 15 for a discussion of our operating groups and related financial information.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Consolidation—The accompanying unaudited interim Condensed Consolidated Financial Statements ("Financial Statements") are prepared in accordance with the rules and regulations of the United States ("U.S.") Securities and Exchange Commission (the "SEC") and accounting principles generally accepted in the United States of America ("U.S. GAAP"). These Financial Statements include all wholly-owned subsidiaries and those entities which we are required to consolidate. See the "Partnering Arrangements" section of this footnote for further discussion of our consolidation policy for those entities that are not wholly-owned. Intercompany balances and transactions are eliminated in consolidation.

Basis of Presentation—We believe these Financial Statements include all adjustments, which are of a normal recurring nature, necessary for a fair presentation of our results of operations for the three and nine months ended September 30, 2016 and 2015, our financial position as of September 30, 2016 and our cash flows for the nine months ended September 30, 2016 and 2015. The December 31, 2015 Condensed Consolidated Balance Sheet was derived from our December 31, 2015 audited Consolidated Balance Sheet, adjusted to conform to our current year presentation.

We believe the disclosures accompanying these Financial Statements are adequate to make the information presented not misleading. Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to the rules and regulations of the SEC for interim reporting periods. The results of operations and cash flows for the interim periods are not necessarily indicative of the results to be expected for the full year. The accompanying Financial Statements should be read in conjunction with our Consolidated Financial Statements and notes thereto included in our 2015 Annual Report on Form 10-K ("2015 Annual Report").

Use of Estimates—The preparation of our Financial Statements in conformity with U.S. GAAP requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses and related disclosures of contingent assets and liabilities. We believe the most significant estimates and judgments are associated with revenue recognition for our contracts, including estimating costs and the recognition of incentive fees and unapproved change orders and claims; fair value and recoverability assessments that must be periodically performed with respect to long-lived tangible assets, goodwill and other intangible assets; valuation of deferred tax assets and financial instruments; the determination of liabilities related to self-insurance programs and income taxes; and consolidation determinations with respect to our partnering arrangements. If the underlying estimates and assumptions upon which our Financial Statements are based change in the future, actual amounts may differ from those included in the accompanying Financial Statements.

Revenue Recognition—Our revenue is primarily derived from long-term contracts and is generally recognized using the percentage of completion ("POC") method, primarily based on the percentage that actual costs-to-date bear to total estimated costs to complete each contract. We follow the guidance of Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Revenue Recognition Topic 605-35 for accounting policies relating to our use of the POC method, estimating costs, and revenue recognition, including the recognition of incentive fees, unapproved change orders and claims, and combining and segmenting contracts. We primarily utilize the cost-to-cost

approach to estimate POC as we believe this method is less subjective than relying on assessments of physical progress. Under the cost-to-cost approach, the use of estimated costs to complete each contract is a significant variable in the process of determining recognized revenue and is a significant factor in the accounting for contracts. Significant estimates that impact the cost to complete each contract are costs of engineering, materials, components, equipment, labor and subcontracts; labor productivity; schedule durations, including subcontractor or supplier progress; liquidated damages; contract disputes, including claims; achievement of contractual performance requirements; and contingency, among others. The cumulative impact of revisions in total cost estimates during the progress of work is reflected in the period in which these changes become known, including, to the extent required, the

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Chicago Bridge & Iron Company N.V.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

reversal of profit recognized in prior periods and the recognition of losses expected to be incurred on contracts in progress. Due to the various estimates inherent in our contract accounting, actual results could differ from those estimates. Backlog for each of our operating groups generally consists of several hundred contracts, and our results may be impacted by changes in estimated project margins. For the three and nine months ended September 30, 2016, significant changes in estimated margins on two projects resulted in an increase to our income from operations of approximately $112,000, and significant changes in estimated margins on two other projects resulted in a decrease to our income from operations of approximately $104,000. For the three and nine months ended September 30, 2015, individual projects with significant changes in estimated margins did not have a material net impact on our income from operations.
Our long-term contracts are awarded on a competitively bid and negotiated basis and the timing of revenue recognition may be impacted by the terms of such contracts. We use a range of contracting options, including cost-reimbursable, fixed-price and hybrid, which has both cost-reimbursable and fixed-price characteristics. Fixed-price contracts, and hybrid contracts with a more significant fixed-price component, tend to provide us with greater control over project schedule and the timing of when work is performed and costs are incurred, and accordingly, when revenue is recognized. Cost-reimbursable contracts, and hybrid contracts with a more significant cost-reimbursable component, generally provide our customers with greater influence over the timing of when we perform our work, and accordingly, such contracts often result in less predictability with respect to the timing of revenue recognition. Contract revenue for our long-term contracts recognized under the POC method reflects the original contract price adjusted for approved change orders and estimated recoveries for incentive fees, unapproved change orders and claims. We recognize revenue associated with incentive fees when the value can be reliably estimated and recovery is probable. We recognize revenue associated with unapproved change orders and claims to the extent the related costs have been incurred, the value can be reliably estimated and recovery is probable. Our recorded incentive fees, unapproved change orders and claims reflect our best estimate of recovery amounts; however, the ultimate resolution and amounts received could differ from these estimates. See Note 14 for additional discussion of our recorded unapproved change orders, claims and incentives.
With respect to our engineering, procurement, and construction (“EPC”) services, our contracts are not segmented between types of services, such as engineering and construction, if each of the EPC components is negotiated concurrently or if the pricing of any such services is subject to the ultimate negotiation and agreement of the entire EPC contract. However, an EPC contract including technology or fabrication services may be segmented if we satisfy the segmenting criteria in ASC 605-35. Revenue recorded in these situations is based on our prices and terms for similar services to third party customers. Segmenting a contract may result in different interim rates of profitability for each scope of service than if we had recognized revenue without segmenting. In some instances, we may combine contracts that are entered into in multiple phases, but are interdependent and include pricing considerations by us and the customer that are impacted by all phases of the project. Otherwise, if each phase is independent of the other and pricing considerations do not give effect to another phase, the contracts will not be combined.
Cost of revenue for our long-term contracts includes direct contract costs, such as materials and labor, and indirect costs that are attributable to contract activity. The timing of when we bill our customers is generally dependent upon advance billing terms, milestone billings based on the completion of certain phases of the work, or when services are provided. Projects with costs and estimated earnings recognized to date in excess of cumulative billings is reported on the Condensed Consolidated Balance Sheet (“Balance Sheet”) as costs and estimated earnings in excess of billings. Projects with cumulative billings in excess of costs and estimated earnings recognized to date is reported on the Balance Sheet as billings in excess of costs and estimated earnings. The net balances on our Balance Sheet are collectively referred to as Contracts in Progress, net and the components of these balances at September 30, 2016 and December 31, 2015 were as follows:

	September 30, 2016		December 31, 2015	
	Asset	Liability	Asset	Liability
Costs and estimated earnings on contracts in progress	$10,639,073	$28,309,401	$14,853,683	$21,942,765

Billings on contracts in progress	(9,894,150)	(30,047,264)	(14,165,369)	(23,876,876)
Contracts in Progress, net	$744,923	$(1,737,863)	$688,314	$(1,934,111)

Any uncollected billed amounts, including contract retentions, are reported as accounts receivable. At September 30, 2016 and December 31, 2015, accounts receivable included contract retentions of approximately $73,500 and $62,900, respectively. Contract retentions due beyond one year were not material at September 30, 2016 or December 31, 2015.

Revenue for our service contracts that do not satisfy the criteria for revenue recognition under the POC method is recorded at the time services are performed. Revenue associated with incentive fees for these contracts is recognized when earned. Unbilled receivables for our service contracts are recorded within accounts receivable and were approximately $100,000 and $71,600 at September 30, 2016 and December 31, 2015, respectively.

Revenue for our pipe and steel fabrication and catalyst manufacturing contracts that are independent of an EPC contract, or for which we satisfy the segmentation criteria discussed above, is recognized upon shipment of the fabricated or manufactured units. During the fabrication or manufacturing process, all related direct and allocable indirect costs are capitalized as work in process inventory and such costs are recorded as cost of revenue at the time of shipment.

Our billed and unbilled revenue may be exposed to potential credit risk if our customers should encounter financial difficulties, and we maintain reserves for specifically-identified potential uncollectible receivables. At September 30, 2016 and December 31, 2015, our allowances for doubtful accounts were not material.

Other Operating Expense (Income), Net—Other operating expense (income), net generally represents (gains) losses associated with the sale or disposition of property and equipment. For the nine months ended September 30, 2015, other operating expense (income), net also included a gain of approximately $7,500 related to the contribution of a technology to our unconsolidated Chevron-Lummus Global (“CLG”) joint venture and a foreign exchange loss of approximately $11,000 associated with the re-measurement of certain non-U.S. Dollar denominated net assets, both of which occurred during the three months ended March 31, 2015.

Recoverability of Goodwill—Goodwill is not amortized to earnings, but instead is reviewed for impairment at least annually at a reporting unit level, absent any indicators of impairment or when other actions require an impairment assessment (such as a change in reporting units). We perform our annual impairment assessment during the fourth quarter of each year based upon balances as of October 1. We identify a potential impairment by comparing the fair value of the applicable reporting unit to its net book value, including goodwill. If the net book value exceeds the fair value of the reporting unit, an indication of potential impairment exists, and we measure the impairment by comparing the carrying value of the reporting unit’s goodwill to its implied fair value. To determine the fair value of our reporting units and test for impairment, we utilize an income approach (discounted cash flow method) as we believe this is the most direct approach to incorporate the specific economic attributes and risk profiles of our reporting units into our valuation model. This is consistent with the methodology used to determine the fair value of our reporting units in previous years. We generally do not utilize a market approach given the lack of relevant information generated by market transactions involving comparable businesses. See Note 6 for additional discussion of our goodwill.

Recoverability of Other Long-Lived Assets—We amortize our finite-lived intangible assets on a straight-line basis with lives ranging from 4 to 20 years, absent any indicators of impairment. We review tangible assets and finite-lived intangible assets for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. If a recoverability assessment is required, the estimated future cash flow associated with the asset or asset group will be compared to the asset’s carrying amount to determine if an impairment exists. See Note 6 for additional discussion of our intangible assets.

Earnings Per Share (“EPS”)—Basic EPS is calculated by dividing net income attributable to CB&I by the weighted average number of common shares outstanding for the period. Diluted EPS reflects the assumed conversion of dilutive securities, consisting of restricted shares, performance based shares (where performance criteria have been met), stock options and directors’ deferred-fee shares. See Note 3 for calculations associated with basic and diluted EPS.

Cash Equivalents—Cash equivalents are considered to be highly liquid securities with original maturities of three months or less.

Inventory—Inventory is recorded at the lower of cost or market and cost is determined using the first-in-first-out or weighted-average cost method. The cost of inventory includes acquisition costs, production or conversion costs, and other costs incurred to bring the inventory to a current location and condition. An allowance for excess or inactive inventory is recorded based upon an analysis that considers current inventory levels, historical usage patterns, estimates of future sales expectations and salvage value. See Note 5 for additional discussion of our inventory.

Foreign Currency—The nature of our business activities involves the management of various financial and market risks, including those related to changes in foreign currency exchange rates. The effects of translating financial statements of foreign operations into our reporting currency are recognized as a cumulative translation adjustment in accumulated other comprehensive income (loss) ("AOCI") which is net of tax, where applicable. With the exception of a foreign exchange loss of approximately $11,000 included within other operating expense (income), net related to the re-measurement of certain non-U.S. Dollar denominated net assets during the three months ended March 31, 2015, foreign currency transactional and re-measurement exchange gains (losses) are included within cost of revenue and were not material for the three and nine months ended September 30, 2016 and 2015.

Financial Instruments—We utilize derivative instruments in certain circumstances to mitigate the effects of changes in foreign currency exchange rates and interest rates, as described below:

- Foreign Currency Exchange Rate Derivatives—We do not engage in currency speculation; however, we utilize foreign currency exchange rate derivatives on an ongoing basis to hedge against certain foreign currency-related operating exposures. We generally seek hedge accounting treatment for contracts used to hedge operating exposures and designate them as cash flow hedges. Therefore, gains and losses, exclusive of credit risk and forward points (which represent the time-value component of the fair value of our derivative positions), are included in AOCI until the associated underlying operating exposure impacts our earnings. Changes in the fair value of (1) credit risk and forward points, (2) instruments deemed ineffective during the period, and (3) instruments that we do not designate as cash flow hedges are recognized within cost of revenue.
- Interest Rate Derivatives—At September 30, 2016, we continued to utilize a swap arrangement to hedge against interest rate variability associated with $309,313 of our outstanding $337,500 unsecured term loan (the "Term Loan"). The swap arrangement has been designated as a cash flow hedge as its critical terms matched those of the Term Loan at inception and through September 30, 2016. Accordingly, changes in the fair value of the swap arrangement are included in AOCI until the associated underlying exposure impacts our earnings.

For those contracts designated as cash flow hedges, we document all relationships between the derivative instruments and associated hedged items, as well as our risk-management objectives and strategy for undertaking hedge transactions. This process includes linking all derivatives to specific firm commitments or highly-probable forecasted transactions. We continually assess, at inception and on an ongoing basis, the effectiveness of derivative instruments in offsetting changes in the cash flow of the designated hedged items. Hedge accounting designation is discontinued when (1) it is determined that the derivative is no longer highly effective in offsetting changes in the cash flow of the hedged item, including firm commitments or forecasted transactions, (2) the derivative is sold, terminated, exercised, or expires, (3) it is no longer probable that the forecasted transaction will occur, or (4) we determine that designating the derivative as a hedging instrument is no longer appropriate. See Note 9 for additional discussion of our financial instruments.

Income Taxes—Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis using currently enacted income tax rates for the years in which the differences are expected to reverse. A valuation allowance is provided to offset any net deferred tax assets ("DTA(s)") if, based upon the available evidence, it is more likely than not that some or all of the DTAs will not be realized. The realization of our net DTAs depends upon our ability to generate sufficient future taxable income of the appropriate character and in the appropriate jurisdictions.

Income tax and associated interest reserves, where applicable, are recorded in those instances where we consider it more likely than not that additional tax will be due in excess of amounts reflected in income tax returns filed worldwide, irrespective of whether or not we have received tax assessments. We continually review our exposure to additional income tax obligations and, as further information is known or events occur, changes in our tax and interest reserves may be recorded within income tax expense and interest expense, respectively.

Partnering Arrangements—In the ordinary course of business, we execute specific projects and conduct certain operations through joint venture, consortium and other collaborative arrangements (collectively referred to as

“venture(s)”). We have various ownership interests in these ventures, with such ownership typically proportionate to our decision-making and distribution rights. The ventures generally contract directly with the third party customer; however, services may be performed directly by the ventures, or may be performed by us, our partners, or a combination thereof.
Venture net assets consist primarily of working capital and property and equipment, and assets may be restricted from being used to fund obligations outside of the venture. These ventures typically have limited third party debt or have debt that is non-recourse in nature; however, they may provide for capital calls to fund operations or require participants in the venture to provide additional financial support, including advance payment or retention letters of credit.

Each venture is assessed at inception and on an ongoing basis as to whether it qualifies as a VIE under the consolidations guidance in ASC 810. A venture generally qualifies as a VIE when it (1) meets the definition of a legal entity, (2) absorbs the operational risk of the projects being executed, creating a variable interest, and (3) lacks sufficient capital investment from the partners, potentially resulting in the venture requiring additional subordinated financial support, if necessary, to finance its future activities.

If at any time a venture qualifies as a VIE, we perform a qualitative assessment to determine whether we are the primary beneficiary of the VIE and, therefore, need to consolidate the VIE. We are the primary beneficiary if we have (1) the power to direct the economically significant activities of the VIE and (2) the right to receive benefits from, and obligation to absorb losses of, the VIE. If the venture is a VIE and we are the primary beneficiary, or we otherwise have the ability to control the venture, we consolidate the venture. If we are not determined to be the primary beneficiary of the VIE, or only have the ability to significantly influence, rather than control the venture, we do not consolidate the venture. We account for unconsolidated ventures using proportionate consolidation for both the Balance Sheet and Condensed Consolidated Statement of Operations (“Statement of Operations”) when we meet the applicable accounting criteria to do so and utilize the equity method otherwise. See Note 7 for additional discussion of our material partnering arrangements.

New Accounting Standards—In May 2014, the FASB issued Accounting Standards Update (“ASU”) 2014-09, which provides a single comprehensive accounting standard for revenue recognition for contracts with customers and supersedes current industry-specific guidance, including ASC 605-35. The new standard prescribes a five-step revenue recognition model that focuses on transfer of control and entitlement to consideration in determining the amount of revenue to be recognized. The guidance also significantly expands qualitative and quantitative disclosure requirements regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. We will adopt the standard, including any updates to the standard, upon its effective date in the first quarter 2018. Our adoption will result in retrospective application, either in the form of recasting all prior periods presented or a cumulative adjustment to equity in the period of adoption. We are assessing the potential impact of the new standard on our Financial Statements.

In February 2015, the FASB issued ASU 2015-02, which amends existing consolidation requirements in ASC 810 associated with: (1) determining the consolidation model and assessing control for limited partnerships and similar entities; (2) determining when fees paid to decision makers or service providers are variable interests; and (3) evaluating interests held by de facto agents or related parties of the reporting entity. We adopted the standard upon its effective date in the first quarter 2016. Our adoption did not have a material impact on our Financial Statements.

In April 2015, the FASB issued ASU 2015-03, which requires presentation of debt issuance costs as a direct deduction from the related debt liability rather than as an asset, as presented under previous guidance. We adopted the standard upon its effective date in the first quarter 2016. Our adoption resulted in the reclassification of deferred debt issuance costs from other current assets and other non-current assets of approximately $2,129 and $8,168, respectively, to current maturities of long term debt and long term debt, respectively, in our December 31, 2015 Balance Sheet.

In February 2016, the FASB issued ASU 2016-02, which requires the recognition of a right-of-use asset and a lease liability for most lease arrangements with a term greater than one year, and increases qualitative and quantitative disclosures regarding leasing transactions. The standard is effective for us in the first quarter 2019, although early adoption is permitted. Transition requires application of the new guidance at the beginning of the earliest comparative balance sheet period presented utilizing a modified retrospective approach. We are assessing the timing of adoption of the new standard and its potential impact on our Financial Statements.

In March 2016, the FASB issued ASU 2016-09, which modifies the accounting for excess tax benefits and tax deficiencies associated with share-based payments, and amends the associated cash flow presentation. ASU 2016-09 eliminates the requirement to recognize excess tax benefits in additional paid-in capital (“APIC”), and the requirement to evaluate tax deficiencies for APIC or income tax expense classification, and provides for these benefits or deficiencies to be recorded as an income tax expense or benefit in the income statement. Additionally, tax benefits of dividends on share-based payment awards will also be reflected as an income tax expense or benefit in the income

statement. With these changes, tax-related cash flows resulting from share-based payments will be classified as operating activities as opposed to financing, as currently presented. We will adopt the standard upon its effective date in the first quarter 2017 and do not expect that it will have a material impact on our Financial Statements.

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3. EARNINGS PER SHARE

A reconciliation of weighted average basic shares outstanding to weighted average diluted shares outstanding and the computation of basic and diluted EPS are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Net income (loss) attributable to CB&I	$121,760	$(740,433)	$352,524	$(438,690)
Weighted average shares outstanding—basic	101,102	105,454	103,725	107,440
Effect of restricted shares/performance based shares/stock options [(1)]	746	—	816	—
Effect of directors' deferred-fee shares[(1)]	15	—	14	—
Weighted average shares outstanding—diluted	101,863	105,454	104,555	107,440
Net income (loss) attributable to CB&I per share:				
Basic	$1.20	$(7.02)	$3.40	$(4.08)
Diluted	$1.20	$(7.02)	$3.37	$(4.08)

(1) Antidilutive shares excluded from diluted EPS were not material for the three and nine months ended September 30, 2016. The effect of restricted, performance based, stock options and directors' deferred-fee shares were not included in the calculation of diluted EPS for the three and nine months ended September 30, 2015 due to the net loss for the periods.

4. DISPOSITION OF NUCLEAR OPERATIONS

As more fully described in our 2015 Annual Report, on December 31, 2015 we completed the sale of our nuclear power construction business (the "Nuclear Operations"), previously included within our Engineering & Construction operating group, to Westinghouse Electric Company LLC ("WEC") for transaction consideration of approximately $161,000, which will be received upon WEC's substantial completion of certain acquired contracts. The present value of the estimated consideration was approximately $147,000 at September 30, 2016, and is recorded within other non-current assets on our Balance Sheet. The imputed interest on the estimated consideration is included within interest income on our Statement of Operations. As a result of the sale, during the three and nine months ended September 30, 2015, we recorded a non-cash pre-tax charge related to the impairment of goodwill and intangible assets and a loss on net assets held for sale. A summary of the charge is as follows:

	Three and Nine Months Ended September 30, 2015
Loss on net assets held for sale	$628,280
Intangible assets impairment	79,100
Loss on net assets held for sale and intangible assets impairment	707,380
Goodwill impairment	453,100
Total pre-tax charge	$1,160,480

The net tax benefit of the charge was approximately $256,300, reflecting the non-deductibility of the goodwill impairment, and resulted in an after-tax charge of approximately $904,200. The impact of the loss on net assets held for sale and intangible assets impairment is included in "Loss on net assets held for sale and intangible assets impairment" in our Statement of Operations, and the impact of the goodwill impairment is included in "Goodwill impairment" in our Statement of Operations.

Supplemental unaudited revenue and pre-tax income of our former Nuclear Operations is as follows:

	Three Months	Nine Months

	Ended	Ended
	September 30, 2015	
Revenue	$502,922	$1,555,508
Pre-tax income	$45,715	$163,115

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

5. INVENTORY

The components of inventory at September 30, 2016 and December 31, 2015 were as follows:

	September 30, 2016	December 31, 2015
Raw materials	$ 71,378	$ 142,170
Work in process	94,322	58,884
Finished goods	74,485	88,604
Total	$ 240,185	$ 289,658

6. GOODWILL AND OTHER INTANGIBLES

Goodwill—At September 30, 2016 and December 31, 2015, our goodwill balances were $3,712,608 and $3,711,506, respectively, attributable to the excess of the purchase price over the fair value of net assets acquired in connection with our acquisitions. The change in goodwill for the nine months ended September 30, 2016 was as follows:

	Total [1]
Balance at December 31, 2015	$3,711,506
Foreign currency translation and other	3,679
Amortization of tax goodwill in excess of book goodwill	(2,577)
Balance at September 30, 2016	$3,712,608

(1) At September 30, 2016, we had approximately $453,100 of cumulative impairment losses, which were recorded during the three months ended September 30, 2015 related to the sale of our Nuclear Operations.

As discussed further in Note 2, goodwill is not amortized to earnings, but instead is reviewed for impairment at least annually at a reporting unit level, absent any indicators of impairment or when other actions require an impairment assessment (such as a change in reporting units). We perform our annual impairment assessment during the fourth quarter of each year based upon balances as of October 1. At December 31, 2015, we had the following seven reporting units within our four operating groups:

- Engineering & Construction—Our Engineering & Construction operating group represented a reporting unit.
- Fabrication Services—Our Fabrication Services operating group included three reporting units: Steel Plate Structures, Fabrication & Manufacturing and Engineered Products.
- Technology—Our Technology operating group represented a reporting unit.
- Capital Services—Our Capital Services operating group included two reporting units: Facilities & Plant Services and Federal Services.

During the three months ended December 31, 2015, we performed a quantitative assessment of goodwill for each of the aforementioned reporting units. Based upon these quantitative assessments, the fair value of each of our reporting units exceeded their respective net book values, and accordingly no impairment charge was necessary as a result of our impairment assessments.

Reporting Unit Realignment—During the three months ended September 30, 2016, our Steel Plate Structures, Fabrication & Manufacturing and Engineered Products operations, all within our Fabrication Services operating group, were integrated and operationally combined. As a result, we reevaluated our reporting units within the Fabrication Services operating group and determined that the Fabrication Services operating group now represented a single reporting unit. In conjunction with the aforementioned reorganization of our Fabrication Services operating group and change in reporting units, we performed a quantitative assessment of goodwill for each of the reporting units immediately before the change in reporting units, and for the new Fabrication Services reporting unit. Based on these quantitative assessments, the fair value of each of the reporting units exceeded their respective net book values, and accordingly, no impairment charge was necessary as a result of the change in reporting units. During the nine months ended September 30, 2016, we had no other changes to our reporting units and no indicators of goodwill impairment were identified for any of our reporting units. If, based on future assessments our goodwill is deemed to be impaired, the impairment would result in a charge to earnings in the period of impairment. There can be no assurance that future goodwill impairment tests will not result in charges to earnings.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Other Intangible Assets—The following table provides a summary of our acquired finite-lived intangible assets at September 30, 2016 and December 31, 2015, including the September 30, 2016 weighted-average useful lives for each major intangible asset class and in total:

		September 30, 2016		December 31, 2015	
	Weighted Average Life	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Backlog and customer relationships [1]	18 Years	$261,586	$(60,535)	$281,072	$(66,666)
Process technologies	15 Years	272,894	(130,023)	271,028	(115,608)
Tradenames	10 Years	64,887	(29,231)	64,790	(23,667)
Total [2]	16 Years	$599,367	$(219,789)	$616,890	$(205,941)

(1) Backlog and customer relationships intangibles totaling approximately $19,500 became fully amortized during the three months ended March 31, 2016 and were therefore removed from the September 30, 2016 gross carrying and accumulated amortization balances above.

(2) The remaining decrease in other intangibles, net during the nine months ended September 30, 2016 primarily related to amortization expense of approximately $32,300.

7. PARTNERING ARRANGEMENTS

As discussed in Note 2, we account for our unconsolidated ventures using either proportionate consolidation, when we meet the applicable accounting criteria to do so, or the equity method. Further, we consolidate any venture that is determined to be a VIE for which we are the primary beneficiary, or which we otherwise effectively control.

Proportionately Consolidated Ventures—The following is a summary description of our significant joint ventures which have been accounted for using proportionate consolidation:

- CB&I/Zachry—We have a venture with Zachry (CB&I—50% / Zachry—50%) to perform EPC work for two liquefied natural gas ("LNG") liquefaction trains in Freeport, Texas. Our proportionate share of the venture project value is approximately $2,700,000. In addition, we have subcontract and risk sharing arrangements with Chiyoda to support our responsibilities to the venture. The costs of these arrangements are recorded in cost of revenue.
- CB&I/Zachry/Chiyoda—We have a venture with Zachry and Chiyoda (CB&I—33.3% / Zachry—33.3% / Chiyoda—33.3%) to perform EPC work for an additional LNG liquefaction train at the aforementioned project site in Freeport, Texas. Our proportionate share of the venture project value is approximately $675,000.
- CB&I/Chiyoda—We have a venture with Chiyoda (CB&I—50% / Chiyoda—50%) to perform EPC work for three LNG liquefaction trains in Hackberry, Louisiana. Our proportionate share of the venture project value is approximately $3,100,000.

The following table presents summarized balance sheet information for our share of our proportionately consolidated VIEs:

	September 30, 2016	December 31, 2015
CB&I/Zachry		
Current assets [1]	$ 291,047	$ 298,916
Non-current assets	3,837	6,689
Total assets	$ 294,884	$ 305,605
Current liabilities [1]	$ 434,367	$ 454,943
CB&I/Zachry/Chiyoda		
Current assets [1]	$ 84,983	$ 84,696
Current liabilities [1]	$ 76,039	$ 86,124
CB&I/Chiyoda		
Current assets [1]	$ 401,896	$ 424,781
Current liabilities [1]	$ 263,162	$ 433,526

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(1) Our venture arrangements allow for excess working capital of the ventures to be advanced to the venture partners. Such advances are returned to the venture for working capital needs as necessary. Accordingly, at a reporting period end a venture may have advances to its partners which are reflected as an advance receivable within current assets of the venture. At September 30, 2016 and December 31, 2015, other current assets on the Balance Sheet included approximately $379,200 and $325,000, respectively, related to our proportionate share of advances from the ventures to our venture partners, and other current liabilities included approximately $392,500 and $334,900, respectively, related to advances to CB&I from the ventures.

Equity Method Ventures—The following is a summary description of our significant joint ventures which have been accounted for using the equity method:

- Chevron-Lummus Global ("CLG")—We have a venture with Chevron (CB&I—50% / Chevron—50%), which provides licenses, engineering services and catalyst, primarily for the refining industry. As sufficient capital investments in CLG have been made by the venture partners, it does not qualify as a VIE.
- NetPower LLC ("NetPower")—We have a venture with Exelon and 8 Rivers Capital (CB&I—33.3% / Exelon—33.3% / 8 Rivers Capital—33.3%), which was formed for the purpose of developing, commercializing and monetizing a new natural gas power generation system that recovers essentially all the carbon dioxide produced during combustion. NetPower is building a first-of-its-kind demonstration plant which is being funded by contributions and services from the venture partners and other parties. We have determined the venture to be a VIE; however, we do not effectively control NetPower and therefore do not consolidate it. Our cash commitment for NetPower totals $47,300 and at September 30, 2016, we had made cumulative investments totaling approximately $32,900 of the $47,300.
- CB&I/CTCI Corporation ("CTCI")—We have a venture with CTCI (CB&I—50% / CTIC—50%) to perform EPC work for a liquids ethylene cracker and associated units in Sohar, Oman. We have determined the venture to be a VIE; however, we do not effectively control CB&I/CTCI and therefore do not consolidate it. Our proportionate share of the venture project value is approximately $1,400,000. Our venture arrangement allows for excess working capital of the venture to be advanced to the venture partners. Such advances are returned to the venture for working capital needs as necessary. At September 30, 2016, other current liabilities included approximately $138,000 related to advances to CB&I from the venture.

Consolidated Ventures—The following is a summary description of our significant joint ventures we consolidate due to their designation as VIEs for which we are the primary beneficiary:

- CB&I/Kentz—We have a venture with Kentz (CB&I—65% / Kentz—35%) to perform the structural, mechanical, piping, electrical and instrumentation work on, and to provide commissioning support for, three LNG trains, including associated utilities and a gas processing and compression plant, for the Gorgon LNG project, located on Barrow Island, Australia. Our venture project value is approximately $5,800,000.
- CB&I/AREVA—We have a venture with AREVA (CB&I—52% / AREVA—48%) to design, license and construct a mixed oxide fuel fabrication facility in Aiken, South Carolina. Our venture project value is approximately $5,800,000.

The following table presents summarized balance sheet information for our consolidated VIEs:

	September 30, 2016	December 31, 2015
CB&I/Kentz		
Current assets	$ 162,499	$ 214,291
Current liabilities	$ 171,855	$ 191,471
CB&I/AREVA		
Current assets	$ 23,864	$ 24,269
Current liabilities	$ 55,503	$ 65,674
All Other [1]		
Current assets	$ 109,272	$ 112,532
Non-current assets	17,647	19,253
Total assets	$ 126,919	$ 131,785

Current liabilities	$ 22,517	$ 32,001

(1) Other ventures that we consolidate are not individually material to our financial results and are therefore aggregated as “All Other”.

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Other—The use of these ventures exposes us to a number of risks, including the risk that our partners may be unable or unwilling to provide their share of capital investment to fund the operations of the venture or complete their obligations to us, the venture, or ultimately, our customer. Differences in opinions or views among venture partners could also result in delayed decision-making or failure to agree on material issues, which could adversely affect the business and operations of the venture. In addition, agreement terms may subject us to joint and several liability for our venture partners, and the failure of our venture partners to perform their obligations could impose additional performance and financial obligations on us. The aforementioned factors could result in unanticipated costs to complete the projects, liquidated damages or contract disputes, including claims against our partners.

8. DEBT

Our outstanding debt at September 30, 2016 and December 31, 2015 was as follows:

	September 30, 2016	December 31, 2015
Current		
Revolving facility and other short-term borrowings	$ 569,000	$ 653,000
Current maturities of long-term debt	375,000	150,000
Less: unamortized debt issuance costs	(2,314)	(2,129)
Current maturities of long-term debt, net of unamortized debt issuance costs	372,686	147,871
Current debt, net of unamortized debt issuance costs	$ 941,686	$ 800,871
Long-Term		
Term Loan: $1,000,000 term loan (interest at LIBOR plus a floating margin)	$ 337,500	$ 450,000
Second Term Loan: $500,000 term loan (interest at LIBOR plus a floating margin)	500,000	500,000
Senior Notes: $800,000 senior notes, series A-D (fixed interest ranging from 4.15% to 5.30%)	800,000	800,000
Second Senior Notes: $200,000 senior notes (fixed interest of 4.53%)	200,000	200,000
Less: unamortized debt issuance costs	(6,386)	(8,168)
Less: current maturities of long-term debt	(375,000)	(150,000)
Long-term debt, net of unamortized debt issuance costs	$ 1,456,114	$ 1,791,832

Committed Facilities—We have a five-year, $1,350,000, committed and unsecured revolving facility (the “Revolving Facility”) with Bank of America N.A. (“BofA”), as administrative agent, and BNP Paribas Securities Corp., BBVA Compass, Credit Agricole Corporate and Investment Bank (“Credit Agricole”) and TD Securities, each as syndication agents, which expires in October 2018. The Revolving Facility has a $270,000 financial letter of credit sublimit and certain financial and restrictive covenants, including a maximum leverage ratio of 3.25, a minimum fixed charge coverage ratio of 1.75, and a minimum net worth level calculated as $1,736,651 at September 30, 2016. The Revolving Facility also includes customary restrictions regarding subsidiary indebtedness, sales of assets, liens, investments, type of business conducted, and mergers and acquisitions, and includes a trailing twelve-month limitation of $250,000 for dividend payments and share repurchases if our leverage ratio exceeds 1.50 (unlimited if our leverage ratio is equal to or below 1.50), among other restrictions. In addition to interest on debt borrowings, we are assessed quarterly commitment fees on the unutilized portion of the facility as well as letter of credit fees on outstanding instruments. The interest, commitment fee, and letter of credit fee percentages are based upon our quarterly leverage ratio. In the event we borrow funds under the facility, interest is assessed at either prime plus an applicable floating margin (3.50% and 0.75%, respectively at September 30, 2016), or LIBOR plus an applicable floating margin (0.52% and 1.75%, respectively at September 30, 2016). At September 30, 2016, we had $100,000 outstanding borrowings under the facility and $82,000 of outstanding letters of credit under the facility (none of which were financial letters of credit), providing $1,168,000 of available capacity. During the nine months ended September 30, 2016, our weighted average interest rate on borrowings under the facility was approximately 2.2%, inclusive of the applicable floating margin.

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We have a five-year, $800,000, committed and unsecured revolving credit facility (the "Second Revolving Facility") with BofA, as administrative agent, and BNP Paribas Securities Corp., BBVA Compass, Credit Agricole and Bank of Tokyo Mitsubishi UFJ, each as syndication agents, which expires in July 2020. The Second Revolving Facility supplements our Revolving Facility, has a $50,000 financial letter of credit sublimit and has financial and restrictive covenants similar to those noted above for the Revolving Facility. In addition to interest on debt borrowings, we are assessed quarterly commitment fees on the unutilized portion of the facility as well as letter of credit fees on outstanding instruments. The interest, commitment fee, and letter of credit fee percentages are based upon our quarterly leverage ratio. In the event we borrow funds under the facility, interest is assessed at either prime plus an applicable floating margin (3.50% and 0.75%, respectively at September 30, 2016), or LIBOR plus an applicable floating margin (0.52% and 1.75%, respectively at September 30, 2016). At September 30, 2016, we had $6,000 of outstanding borrowings and $14,800 of outstanding letters of credit under the facility (including $2,927 of financial letters of credit), providing $779,200 of available capacity. During the nine months ended September 30, 2016, our weighted average interest rate on borrowings under the facility was approximately 4.2%, inclusive of the applicable floating margin.

Uncommitted Facilities—We also have various short-term, uncommitted letter of credit and borrowing facilities (the "Uncommitted Facilities") across several geographic regions of approximately $4,448,065, of which $563,000 may be utilized for borrowings. At September 30, 2016, we had $463,000 of outstanding borrowings and $1,598,766 of outstanding letters of credit under these facilities, providing $2,386,299 of available capacity, of which $100,000 may be utilized for borrowings. During the nine months ended September 30, 2016, our weighted average interest rate on borrowings under the facilities was approximately 1.6%.

Term Loans—At September 30, 2016, we had $337,500 outstanding on a four-year, $1,000,000 unsecured term loan (the "Term Loan") with BofA as administrative agent. Interest and principal under the Term Loan is payable quarterly in arrears and bears interest at LIBOR plus an applicable floating margin (0.52% and 1.75%, respectively at September 30, 2016). However, we continue to utilize an interest rate swap to hedge against $309,313 of the outstanding Term Loan, which resulted in a weighted average interest rate of approximately 2.3% during the nine months ended September 30, 2016, inclusive of the applicable floating margin. Future annual maturities for the Term Loan are $37,500 and $300,000 for the remainder of 2016 and 2017, respectively. The Term Loan includes financial and restrictive covenants similar to those noted above for the Revolving Facility.

At September 30, 2016, we had $500,000 outstanding on a five-year, $500,000 unsecured term loan (the "Second Term Loan") with BofA as administrative agent. Interest and principal under the Second Term Loan is payable quarterly in arrears beginning in June 2017 and bears interest at LIBOR plus an applicable floating margin (rates are equivalent to the Term Loan). During the nine months ended September 30, 2016, our weighted average interest rate on the Second Term Loan was approximately 2.2%, inclusive of the applicable floating margin. Future annual maturities for the Second Term Loan are $56,250, $75,000, $75,000 and $293,750 for 2017, 2018, 2019, and 2020, respectively. The Second Term Loan has financial and restrictive covenants similar to those noted above for the Revolving Facility.

Senior Notes—We have a series of senior notes totaling $800,000 in the aggregate (the "Senior Notes") with Merrill Lynch, Pierce, Fenner & Smith Incorporated, and Credit Agricole, as administrative agents. The Senior Notes have financial and restrictive covenants similar to those noted above for the Revolving Facility. The Senior Notes include Series A through D, which contain the following terms:

- Series A—Interest due semi-annually at a fixed rate of 4.15%, with principal of $150,000 due in December 2017
- Series B—Interest due semi-annually at a fixed rate of 4.57%, with principal of $225,000 due in December 2019
- Series C—Interest due semi-annually at a fixed rate of 5.15%, with principal of $275,000 due in December 2022
- Series D—Interest due semi-annually at a fixed rate of 5.30%, with principal of $150,000 due in December 2024

We have senior notes totaling $200,000 (the "Second Senior Notes") with BofA as administrative agent. Interest is due semi-annually at a fixed rate of 4.53%, with principal of $200,000 due in July 2025. The Second Senior Notes have financial and restrictive covenants similar to those noted above for the Revolving Facility.

Compliance and Other—During the nine months ended September 30, 2016, maximum outstanding borrowings under our revolving credit and other facilities were approximately $1,444,000. In addition to providing letters of credit, we also issue surety bonds in the ordinary course of business to support our contract performance. At September 30, 2016, we had $787,878 of outstanding surety bonds. At September 30, 2016, we were in compliance with all of our financial and restrictive covenants associated with our debt and revolving credit facilities. Capitalized interest was insignificant for the nine months ended September 30, 2016 and 2015.

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9. FINANCIAL INSTRUMENTS

Derivatives

Foreign Currency Exchange Rate Derivatives—At September 30, 2016, the notional value of our outstanding forward contracts to hedge certain foreign exchange-related operating exposures was approximately $131,500. These contracts vary in duration, maturing up to five years from period-end. We designate certain of these hedges as cash flow hedges and accordingly, changes in their fair value are recognized in AOCI until the associated underlying operating exposure impacts our earnings. Forward points, which are deemed to be an ineffective portion of the hedges, are recognized within cost of revenue and are not material.

Interest Rate Derivatives—We continue to utilize a swap arrangement to hedge against interest rate variability associated with $309,313 of our outstanding $337,500 Term Loan. The swap arrangement has been designated as a cash flow hedge as its critical terms matched those of the Term Loan at inception and through September 30, 2016. Accordingly, changes in the fair value of the swap arrangement are recognized in AOCI until the associated underlying exposure impacts our earnings.

Financial Instruments Disclosures

Fair Value—Financial instruments are required to be categorized within a valuation hierarchy based upon the lowest level of input that is significant to the fair value measurement. The three levels of the valuation hierarchy are as follows:

- Level 1—Fair value is based upon quoted prices in active markets.
- Level 2—Fair value is based upon internally-developed models that use, as their basis, readily observable market parameters. Our derivative positions are classified within level 2 of the valuation hierarchy as they are valued using quoted market prices for similar assets and liabilities in active markets. These level 2 derivatives are valued utilizing an income approach, which discounts future cash flow based upon current market expectations and adjusts for credit risk.
- Level 3—Fair value is based upon internally-developed models that use, as their basis, significant unobservable market parameters. We did not have any level 3 classifications at September 30, 2016 or December 31, 2015.

The following table presents the fair value of our foreign currency exchange rate derivatives and interest rate derivatives at September 30, 2016 and December 31, 2015, respectively, by valuation hierarchy and balance sheet classification:

	September 30, 2016				December 31, 2015			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Derivative Assets [1]								
Other current assets	$—	$1,111	$ —	$1,111	$—	$3,344	$ —	$3,344
Other non-current assets	—	305	—	305	—	180	—	180
Total assets at fair value	$—	$1,416	$ —	$1,416	$—	$3,524	$ —	$3,524
Derivative Liabilities								
Other current liabilities	$—	$(3,186)	$ —	$(3,186)	$—	$(7,568)	$ —	$(7,568)
Other non-current liabilities	—	(57)	—	(57)	—	(607)	—	(607)
Total liabilities at fair value	$—	$(3,243)	$ —	$(3,243)	$—	$(8,175)	$ —	$(8,175)

(1) We are exposed to credit risk on our hedging instruments associated with potential counterparty non-performance, and the fair value of our derivatives reflects this credit risk. The total level 2 assets at fair value above represent the maximum loss that we would incur on our outstanding hedges if the applicable counterparties failed to perform according to the hedge contracts. To help mitigate counterparty credit risk, we transact only with counterparties that are rated as investment grade or higher and monitor all counterparties on a continuous basis.

The carrying values of our cash and cash equivalents (primarily consisting of bank deposits), accounts receivable and accounts payable approximate their fair values because of the short-term nature of these instruments. At September 30, 2016, the fair values of our Term Loan and Second Term Loan, based upon the current market rates for

debt with similar credit risk and maturities, approximated their carrying values as interest is based upon LIBOR plus an applicable floating margin. Our Senior Notes and Second Senior Notes are categorized within level 2 of the valuation hierarchy. Our Senior Notes had a total fair value of approximately $808,600 and $772,600 at September 30, 2016 and December 31, 2015, respectively, based on current market rates for debt with similar credit risk and maturities. Our Second Senior Notes had a total fair value of approximately $213,100 and $203,500 at September 30, 2016 and December 31, 2015, respectively, based on current market rates for debt with similar credit risk and maturities.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Derivatives Disclosures

Fair Value—The following table presents the total fair value by underlying risk and balance sheet classification for derivatives designated as cash flow hedges and derivatives not designated as cash flow hedges at September 30, 2016 and December 31, 2015:

	Other Current and Non-Current Assets		Other Current and Non-Current Liabilities	
	September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015
Derivatives designated as cash flow hedges				
Interest rate	$—	$ 471	$(69)	$ (192)
Foreign currency	373	944	(9)	(1,858)
Fair value	$373	$ 1,415	$(78)	$ (2,050)
Derivatives not designated as cash flow hedges				
Foreign currency	$1,043	$ 2,109	$(3,165)	$ (6,125)
Fair value	$1,043	$ 2,109	$(3,165)	$ (6,125)
Total fair value	$1,416	$ 3,524	$(3,243)	$ (8,175)

Master Netting Arrangements ("MNAs")—Our derivatives are executed under International Swaps and Derivatives Association MNAs, which generally allow us and our counterparties to net settle, in a single net payable or receivable, obligations due on the same day, in the same currency and for the same type of derivative instrument. We have elected the option to record all derivatives on a gross basis in our Balance Sheet. The following table presents our derivative assets and liabilities at September 30, 2016 on a gross basis and a net settlement basis:

	Gross Amounts Recognized (i)	Gross Amounts Offset on the Balance Sheet (ii)	Net Amounts Presented on the Balance Sheet (iii) = (i) - (ii)	Gross Amounts Not Offset on the Balance Sheet (iv)		Net Amount (v) = (iii) - (iv)
				Financial Instruments	Cash Collateral Received	
Derivative Assets						
Interest rate	$ —	$ —	$ —	$ —	$ —	$ —
Foreign currency	1,416	—	1,416	(13)	—	1,403
Total assets	$ 1,416	$ —	$ 1,416	$ (13)	$ —	$ 1,403
Derivative Liabilities						
Interest rate	$ (69)	$ —	$ (69)	$ —	$ —	$ (69)
Foreign currency	(3,174)	—	(3,174)	13	—	(3,161)
Total liabilities	$ (3,243)	$ —	$ (3,243)	$ 13	$ —	$ (3,230)

AOCI/Other—The following table presents the total value, by underlying risk, recognized in other comprehensive income ("OCI") and reclassified from AOCI to interest expense (interest rate derivatives) and cost of revenue (foreign currency derivatives) during the three and nine months ended September 30, 2016 and 2015 for derivatives designated as cash flow hedges:

	Amount of Gain (Loss) on Effective Derivative Portion							
	Recognized in OCI				Reclassified from AOCI into Earnings [1]			
	Three Months Ended September 30,		Nine Months Ended September 30,		Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015	2016	2015	2016	2015
Derivatives designated as cash flow hedges								

Interest rate	$159	$(932)	$(802)	$(3,154)	$(110)	$(435)	$(454)	$(1,362)
Foreign currency	(401)	1,754	420	(986)	142	(2,027)	(772)	(4,497)
Total	$(242)	$822	$(382)	$(4,140)	$32	$(2,462)	$(1,226)	$(5,859)

(1) Net unrealized gains totaling $133 are anticipated to be reclassified from AOCI into earnings during the next 12 months due to settlement of the associated underlying obligations.

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The following table presents the total value recognized in cost of revenue for the three and nine months ended September 30, 2016 and 2015 for foreign currency derivatives not designated as cash flow hedges:

	Amount of Gain (Loss) Recognized in Earnings			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Derivatives not designated as cash flow hedges				
Foreign currency	$(3,058)	$7,969	$(12,217)	$5,686
Total	$(3,058)	$7,969	$(12,217)	$5,686

10. RETIREMENT BENEFITS

Our 2015 Annual Report disclosed anticipated 2016 defined benefit pension and other postretirement plan contributions of approximately $16,900 and $2,400, respectively. The following table provides updated contribution information for these plans at September 30, 2016:

	Pension Plans	Other Postretirement Plans
Contributions made through September 30, 2016	$ 12,379	$ 1,826
Contributions expected for the remainder of 2016	4,820	608
Total contributions expected for 2016	$ 17,199	$ 2,434

The following table provides a breakout of the components of net periodic benefit cost associated with our defined benefit pension and other postretirement plans for the three and nine months ended September 30, 2016 and 2015:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Pension Plans				
Service cost	$2,364	$2,656	$7,075	$7,992
Interest cost	5,754	5,849	17,647	17,500
Expected return on plan assets	(6,548)	(7,135)	(20,165)	(21,341)
Amortization of prior service credits	(156)	(156)	(468)	(467)
Recognized net actuarial losses	1,423	1,921	4,359	5,759
Net periodic benefit cost	$2,837	$3,135	$8,448	$9,443
Other Postretirement Plans				
Service cost	$176	$158	$528	$593
Interest cost	340	357	1,021	1,158
Recognized net actuarial gains	(840)	(757)	(2,521)	(2,022)
Net periodic benefit income	$(324)	$(242)	$(972)	$(271)

11. COMMITMENTS AND CONTINGENCIES

Legal Proceedings

General—We have been and may from time to time be named as a defendant in legal actions claiming damages in connection with engineering and construction projects, technology licenses, other services we provide, and other matters. These are typically claims that arise in the normal course of business, including employment-related claims and contractual disputes or claims for personal injury or property damage which occur in connection with services performed relating to project or construction sites. Contractual disputes normally involve claims relating to the timely completion of projects, performance of equipment or technologies, design or other engineering services or project construction services provided by us. We do not believe that any of our pending contractual, employment-related

personal injury or property damage claims and disputes will have a material adverse effect on our future results of operations, financial position or cash flow.

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Arbitration Matter—The customer for one of our large cost reimbursable projects has filed a request for arbitration with the International Chamber of Commerce, alleging cost overruns on the project. The customer has not provided evidence to substantiate its allegations and we believe all amounts incurred and billed on the project, including outstanding receivables of approximately $232,000 as of September 30, 2016, are contractually due under the provisions of our contract and are recoverable. We do not believe a risk of material loss is probable related to this matter, and accordingly, no amounts have been accrued. Further, we have asserted counterclaims for our outstanding receivables.

Dispute Related to Sale of Nuclear Operations—As discussed further in Note 4, on December 31, 2015, we sold our Nuclear Operations to WEC. In connection with the transaction, a customary post-closing purchase price adjustment mechanism was negotiated to account for any difference between target working capital and actual working capital as finally determined. On April 28, 2016, WEC delivered to us a purported closing statement estimating closing working capital to be negative $976,506, which was $2,150,506 less than target working capital. In contrast, we had calculated closing working capital to be $1,601,805, which is $427,805 greater than target working capital. On July 21, 2016, we filed a complaint against WEC in the Court of Chancery in the State of Delaware seeking a declaration that WEC has no remedy for the vast majority of its claims and requesting an injunction barring WEC from bringing such claims. WEC has filed a motion for judgment on the pleadings requesting that the court dismiss our complaint. The court plans to hear oral argument on the motion on November 7, 2016. We do not believe a risk of material loss is probable related to the matters in dispute, and accordingly, no amounts have been accrued. We intend to vigorously pursue this litigation and our rights under the purchase agreement.

Asbestos Litigation—We are a defendant in lawsuits wherein plaintiffs allege exposure to asbestos due to work we may have performed at various locations. We have never been a manufacturer, distributor or supplier of asbestos products. Over the past several decades and through September 30, 2016, we have been named a defendant in lawsuits alleging exposure to asbestos involving approximately 6,000 plaintiffs and, of those claims, approximately 1,300 claims were pending and 4,700 have been closed through dismissals or settlements. Over the past several decades and through September 30, 2016, the claims alleging exposure to asbestos that have been resolved have been dismissed or settled for an average settlement amount of approximately two thousand dollars per claim. We review each case on its own merits and make accruals based upon the probability of loss and our estimates of the amount of liability and related expenses, if any. While we have seen an increase in the number of recent filings, especially in one specific venue, we do not believe the increase or any unresolved asserted claims will have a material adverse effect on our future results of operations, financial position or cash flow, and at September 30, 2016, we had approximately $6,900 accrued for liability and related expenses. With respect to unasserted asbestos claims, we cannot identify a population of potential claimants with sufficient certainty to determine the probability of a loss and to make a reasonable estimate of liability, if any. While we continue to pursue recovery for recognized and unrecognized contingent losses through insurance, indemnification arrangements or other sources, we are unable to quantify the amount, if any, that we may expect to recover because of the variability in coverage amounts, limitations and deductibles, or the viability of carriers, with respect to our insurance policies for the years in question.

Environmental Matters—Our operations are subject to extensive and changing U.S. federal, state and local laws and regulations, as well as the laws of other countries, that establish health and environmental quality standards. These standards, among others, relate to air and water pollutants and the management and disposal of hazardous substances and wastes. We are exposed to potential liability for personal injury or property damage caused by any release, spill, exposure or other accident involving such pollutants, substances or wastes.

In connection with the historical operation of our facilities, including those associated with acquired operations, substances which currently are or might be considered hazardous were used or disposed of at some sites that will or may require us to make expenditures for remediation. In addition, we have agreed to indemnify parties from whom we have purchased or to whom we have sold facilities for certain environmental liabilities arising from acts occurring before the dates those facilities were transferred.

We believe we are in compliance, in all material respects, with environmental laws and regulations and maintain insurance coverage to mitigate our exposure to environmental liabilities. We do not believe any environmental matters will have a material adverse effect on our future results of operations, financial position or cash flow. We do not anticipate we will incur material capital expenditures for environmental controls or for the investigation or remediation of environmental conditions during the remainder of 2016 or 2017.

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12. ACCUMULATED OTHER COMPREHENSIVE INCOME

The following table presents changes in AOCI, net of tax, by component, during the nine months ended September 30, 2016:

	Currency Translation Adjustment (1)	Unrealized Fair Value Of Cash Flow Hedges	Defined Benefit Pension and Other Postretirement Plans	Total
Balance at December 31, 2015	$(209,281)	$ (967)	$ (83,792)	$(294,040)
OCI before reclassifications	(4)	569	1,209	1,774
Amounts reclassified from AOCI	—	629	1,398	2,027
Net OCI	(4)	1,198	2,607	3,801
Balance at September 30, 2016	$(209,285)	$ 231	$ (81,185)	$(290,239)

(1) During the nine months ended September 30, 2016, the currency translation adjustment component of AOCI was not materially impacted by net movements in the Australian Dollar, British Pound, Colombian Peso and Euro exchange rates against the U.S. Dollar.

The following table presents reclassification of AOCI into earnings, net of tax, for each component, during the nine months ended September 30, 2016:

	Amount Reclassified From AOCI
Unrealized Fair Value Of Cash Flow Hedges (1)	
Interest rate derivatives (interest expense)	$ 454
Foreign currency derivatives (cost of revenue)	772
Total before tax	$ 1,226
Tax	(597)
Total net of tax	$ 629
Defined Benefit Pension and Other Postretirement Plans (2)	
Amortization of prior service credits	$ (468)
Recognized net actuarial losses	1,838
Total before tax	$ 1,370
Tax	28
Total net of tax	$ 1,398

(1) See Note 9 for further discussion of our cash flow hedges, including the total value reclassified from AOCI to earnings.

(2) See Note 10 for further discussion of our defined benefit and other postretirement plans, including the components of net periodic benefit cost.

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13. EQUITY-BASED INCENTIVE PLANS AND OTHER EQUITY ACTIVITY

Under our equity-based incentive plans (our “Incentive Plans”), we can issue shares to employees and directors in the form of restricted stock units (“RSUs”), performance based shares (including those based upon financial or stock price performance) and stock options. Changes in common stock, additional paid-in capital and treasury stock during the nine months ended September 30, 2016 and 2015 primarily relate to activity associated with our Incentive Plans and share repurchases.

During the nine months ended September 30, 2016, we had the following share grants associated with our Incentive Plans:

	Shares [1]	Weighted Average Grant-Date Fair Value per Share
RSUs	1,057	$ 33.36
Financial performance based shares	665	$ 33.56
Stock performance based shares	166	$ 37.41
Total shares granted	1,888	

[1] No stock options were granted during the nine months ended September 30, 2016.

During the nine months ended September 30, 2016, we had the following share issuances associated with our Incentive Plans and employee stock purchase plan (“ESPP”):