MOSAIC CO
Form 4
May 15, 2015

# FORM 4

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

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

**STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES**

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL

| | |
|---|---|
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(Print or Type Responses)

1. Name and Address of Reporting Person *
Seaton David Thomas

(Last) (First) (Middle)

ATRIA CORPORATE CENTER, SUITE E490, 3033 CAMPUS DRIVE

(Street)

PLYMOUTH, MN 55441

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
MOSAIC CO [MOS]

3. Date of Earliest Transaction (Month/Day/Year)
05/14/2015

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

__X__ Director _____ 10% Owner
_____ Officer (give title below) _____ Other (specify below)

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

**Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned**

| 1.Title of Security (Instr. 3) | 2. Transaction Date (Month/Day/Year) | 2A. Deemed Execution Date, if any (Month/Day/Year) | 3. Transaction Code (Instr. 8) | | 4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5) | | | 5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4) | 6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4) | 7. Nature of Indirect Beneficial Ownership (Instr. 4) |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | Code | V | Amount | (A) or (D) | Price | | | |
| Common Stock | | | | | | | | 5,125 | D | |

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

**Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned**
**(*e.g.*, puts, calls, warrants, options, convertible securities)**

| 1. Title of Derivative Security (Instr. 3) | 2. Conversion or Exercise Price of Derivative Security | 3. Transaction Date (Month/Day/Year) | 3A. Deemed Execution Date, if any (Month/Day/Year) | 4. Transaction Code (Instr. 8) | | 5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5) | | 6. Date Exercisable and Expiration Date (Month/Day/Year) | | 7. Title and Amount of Underlying Securities (Instr. 3 and 4) | | 8. Pr Deriv Secu (Instr |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Code | V | (A) | (D) | Date Exercisable | Expiration Date | Title | Amount or Number of Shares | |
| Restricted Stock Units | $ 0 (1) | | | | | | | (2) | (3) | Common Stock | 2,813 | |
| Restricted Stock Units | $ 0 (1) | | | | | | | (4) | (3) | Common Stock | 1,997 | |
| Restricted Stock Units | $ 0 (1) | | | | | | | (5) | (3) | Common Stock | 3,144 | |
| Restricted Stock Units | $ 0 (1) | 05/14/2015 | | A | | 3,402 | | (6) | (3) | Common Stock | 3,402 | $ |

# Reporting Owners

| Reporting Owner Name / Address | Relationships | | | |
|---|---|---|---|---|
| | Director | 10% Owner | Officer | Other |
| Seaton David Thomas<br>ATRIA CORPORATE CENTER, SUITE E490<br>3033 CAMPUS DRIVE<br>PLYMOUTH, MN 55441 | X | | | |

# Signatures

| /s/Mark J. Isaacson, Attorney-in-Fact for David T. Seaton | 05/14/2015 |
|---|---|
| **Signature of Reporting Person | Date |

# Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

**(1)** One-for-One

**(2)** The restricted stock units vested on October 4, 2013. Vested shares will be delivered to the reporting person on October 4, 2015.

**(3)** Not Applicable

**(4)** The restricted stock units vested on May 15, 2014. Vested shares will be delivered to the reporting person on October 3, 2016.

**(5)** The restricted stock units vested on May 14, 2015. Vested shares will be delivered to the reporting person on May 15, 2017.

**(6)** The restricted stock units will vest on the date of the issuer's 2016 Annual Meeting of Stockholders. Vested shares will be delivered to the reporting person on May 14, 2018.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. D VALIGN="bottom">$2,251,429   $1,201,267

**Income From Operations**

Engineering, Construction and Maintenance

$63,212   $27,420

Fabrication Services

45,024   35,786

Technology

35,542   22,599

Government Solutions

3,992

| | | |
|---|---|---|
| Total operating groups | $147,770 | $85,805 |
| Acquisition-related costs | (61,256) | |
| Total income from operations | $86,514 | $85,805 |

In conjunction with the Shaw Acquisition, our total assets increased significantly from December 31, 2012 to March 31, 2013. Our total assets by segment for both periods, were as follows:

| | March 31, 2013 | December 31, 2012 |
|---|---|---|
| **Assets** | | |
| Engineering, Construction and Maintenance | $ 1,926,971 | $ 1,478,678 |
| Fabrication Services | 1,632,578 | 1,131,947 |
| Technology | 492,203 | 626,031 |
| Government Solutions | 672,750 | |
| Total tangible assets | $ 4,724,502 | $ 3,236,656 |
| Goodwill | 3,366,591 | 926,711 |
| Other intangible assets, net | 557,768 | 166,308 |
| Total assets | $ 8,648,861 | $ 4,329,675 |

26

Table of Contents

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

The following Management s Discussion and Analysis of Financial Condition and Results of Operations is provided to assist readers in understanding our financial performance during the periods presented and significant trends that may impact our future performance. This discussion should be read in conjunction with our Financial Statements and the related notes thereto included elsewhere in this quarterly report.

**OVERVIEW**

We provide 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 are a provider of diversified government services. In conjunction with the Shaw Acquisition on February 13, 2013, beginning in the first quarter of 2013, our reporting segments are comprised of our four operating groups: Engineering, Construction and Maintenance; Fabrication Services; Technology; and Government Solutions. For comparative purposes only, the impact of the newly acquired Shaw operations will be broken out separately within the discussions of our operating groups.

We continue to be broadly diversified across the global energy infrastructure market. Our geographic diversity is illustrated by approximately 40% of our March 31, 2013 backlog being comprised of projects outside the U.S. The geographic mix of our revenue will evolve consistent with changes in our backlog mix, as well as shifts in future global energy demand. Our diversity in energy infrastructure end-markets ranges from upstream activities such as offshore oil and gas and onshore oil sands projects, to downstream activities such as gas processing, LNG, refining, and petrochemicals, to fossil and nuclear based power plants. Planned investments across the natural gas value chain, specifically LNG and gas processing, remain strong. Global investments in power, offshore and petrochemical facilities are expected to continue at robust levels, as are investments in various types of facilities which require storage structures and pre-fabricated pipe.

Our long-term contracts are awarded on a competitive bid and negotiated basis and we offer our customers a range of contracting options, including cost-reimbursable, fixed-price and hybrid, which has both cost-reimbursable and fixed-price characteristics. Under cost-reimbursable contracts, we generally perform our services in exchange for a price that consists of reimbursement of all customer-approved costs and a profit component, which is typically a fixed rate per hour, an overall fixed fee or a percentage of total reimbursable costs. Under fixed-price contracts, we perform our services and execute our projects at an established price. The timing of our revenue recognition may be impacted by the contracting structure of our contracts. Cost-reimbursable contracts, or 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 our revenue. Fixed-price and hybrid contracts 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. Our shorter term contracts and services are generally provided on a cost-reimbursable, fixed-price or unit price basis. Our March 31, 2013 backlog distribution by contracting type is described below within our operating group discussion.

*Engineering, Construction and Maintenance* Our Engineering, Construction and Maintenance operating group provides engineering, procurement, and construction for major energy infrastructure facilities, as well as comprehensive and integrated maintenance services. This segment includes our Oil and Gas business unit (formerly our Project Engineering and Construction segment) and Shaw s former Power and Plant Services segments. The backlog and operating results of our large mechanical erection project in the Asia Pacific region that was previously reported within our Steel Plate Structures segment (currently within our Fabrication Services operating group) is now reported within our Engineering, Construction and Maintenance operating group to align with our current operating structure. Prior year information has been reclassified to conform to the current year classification.

Our Engineering, Construction and Maintenance operating group comprised $18.8 billion (74%) of our consolidated March 31, 2013 backlog. Backlog for the acquired Shaw Power and Plant Services business units (collectively Power ) totaled $11.6 billion. The Engineering, Construction and Maintenance operating group backlog composition at March 31, 2013 was approximately 55% nuclear power, 15% LNG (including low temp and cryogenic), 10% gas processing, 5% fossil power, 5% oil sands, 5% refining, and 5% petrochemical and other end markets. Our nuclear and fossil power backlog was primarily concentrated in the U.S., where we anticipate continued opportunities. Our LNG backlog was primarily concentrated in the Asia Pacific region and we anticipate significant opportunities will continue to be derived from this region, in addition to North America. Our gas processing projects were primarily concentrated in the U.S. and the Asia Pacific region, where we anticipate continued strength. Our oil sands backlog was derived from Canada and we anticipate opportunities will continue from this region. The majority of our refining-related backlog was derived from South America. Our March 31, 2013 backlog distribution by contracting type was approximately 55% fixed-price and hybrid and 45% cost-reimbursable.

*Fabrication Services* Our Fabrication Services operating group provides fabrication of piping systems, process and nuclear modules, and fabrication and erection of steel plate storage tanks and pressure vessels for the oil and gas, water and wastewater, mining and power generation industries. This segment includes our former Steel Plate Structures segment and Shaw s former Fabrication and Manufacturing segment. As

discussed above, the backlog and operating results of our large mechanical erection project in the Asia Pacific region that was previously reported within our Steel Plate Structures segment is now reported in our Engineering, Construction and Maintenance operating group. Prior year information has been reclassified to conform to the current year classification.

Our Fabrication Services operating group comprised approximately $3.3 billion (13%) of our consolidated March 31, 2013 backlog. Backlog for the acquired Shaw Fabrication and Manufacturing business unit totaled $857.1 million. The Fabrication Services backlog composition by end market at March 31, 2013 was approximately 40% LNG (including low temp and cryogenic), 25% nuclear, 15% petrochemical, 5% gas processing and 15% other end markets. Our March 31, 2013 backlog distribution by contracting type was approximately 85% fixed price and hybrid, with the remainder being cost-reimbursable or unit price based.

**Table of Contents**

*Technology* Our Technology operating group provides licensed process technologies, catalysts, specialized equipment and engineered products for use in petrochemical facilities, oil refineries and gas processing plants and offers process planning and project development services, and a comprehensive program of aftermarket support. This segment primarily consists of CB&I s former Lummus Technology segment. Our Technology operating group comprised $788.2 million (3%) of our consolidated March 31, 2013 backlog. Technology s backlog excludes contracts related to our 50% owned CLG joint venture, which we do not consolidate. CLG income is recognized as equity earnings and is generated from technology licenses, engineering services and catalysts, primarily for the refining industry. Our March 31, 2013 backlog was primarily comprised of fixed-price contracts.

*Government Solutions* Our Government Solutions operating group leads large, high-profile programs and projects, including design-build infrastructure projects, for federal, state and local governments, and provides full-scale environmental services for government and private sector clients, including remediation and restoration of contaminated sites, emergency response, and disaster recovery. This segment primarily consists of Shaw s former Environmental and Infrastructure segment. Our Government Solutions operating group comprised approximately $2.6 billion (10%) of our consolidated March 31, 2013 backlog. The composition of the backlog by end market at March 31, 2013 was approximately 30% remediation and restoration; 30% EPC; 15% military base operations support services; 10% environmental consulting and engineering; 10% emergency response and disaster recovery; and 5% program and project management, and was primarily concentrated in the U.S. Our March 31, 2013 backlog was primarily comprised of cost-reimbursable contracts.

Our backlog consists of several thousand contracts, which are being executed globally. These contracts vary in size from less than one hundred thousand dollars in contract value to several billion dollars, with varying durations that can exceed five years. The differing types, sizes, and durations of our contracts, combined with their geographic diversity and stages of completion, often results in fluctuations in our quarterly operating group results as a percentage of operating group revenue. In addition, the relative contribution of each of our operating groups, and selling and administrative expense fluctuations, will impact our quarterly consolidated results as a percentage of consolidated revenue. Selling and administrative expense fluctuations are primarily impacted by our stock-based compensation costs, which are recognized predominantly in the first quarter of each year due to the timing of stock awards and the immediate expensing of awards for participants that are eligible to retire. Although quarterly variability is not unusual in our business, we are currently not aware of any fundamental change in our backlog or business that would give rise to future operating results that would be significantly different from our recent historical norms. However, the results of our new operating groups will be impacted by the acquired Shaw operations.

Table of Contents

**RESULTS OF OPERATIONS**

Our new awards, revenue and income from operations by operating group are as follows:

| | Three Months Ended March 31, (In thousands) | | | |
|---|---|---|---|---|
| | 2013 | % of Total | 2012 | % of Total |
| **New Awards** | | | | |
| Engineering, Construction and Maintenance | $ 1,000,450 | 52% | $ 1,155,395 | 68% |
| Fabrication Services | 707,706 | 36% | 410,923 | 24% |
| Technology | 152,748 | 8% | 129,043 | 8% |
| Government Solutions | 85,045 | 4% | | |
| Total new awards | $ 1,945,949 | | $ 1,695,361 | |

| | 2013 | % of Total | 2012 | % of Total |
|---|---|---|---|---|
| **Revenue** | | | | |
| Engineering, Construction and Maintenance | $ 1,430,135 | 63% | $ 709,781 | 59% |
| Fabrication Services | 495,048 | 22% | 391,433 | 33% |
| Technology | 151,482 | 7% | 100,053 | 8% |
| Government Solutions | 174,764 | 8% | | |
| Total revenue | $ 2,251,429 | | $ 1,201,267 | |

| | 2013 | % of Revenue | 2012 | % of Revenue |
|---|---|---|---|---|
| **Income From Operations** | | | | |
| Engineering, Construction and Maintenance | $ 63,212 | 4.4% | $ 27,420 | 3.9% |
| Fabrication Services | 45,024 | 9.1% | 35,786 | 9.1% |
| Technology | 35,542 | 23.5% | 22,599 | 22.6% |
| Government Solutions | 3,992 | 2.3% | | |
| Total operating groups | $ 147,770 | 6.6% | $ 85,805 | 7.1% |
| Acquistion-related costs | (61,256) | | | |
| Total income from operations | $ 86,514 | 3.8% | $ 85,805 | 7.1% |

**Consolidated Results**

*New Awards/Backlog* New awards represent the value of new contract commitments received during a given period and are included in backlog until work is performed and revenue is recognized, or until cancellation. Our new awards may vary significantly each reporting period based upon the timing of our major new contract commitments. New awards were $1.9 billion for the first quarter 2013, compared to $1.7 billion for the corresponding 2012 period. The current year period included awards from the recently acquired Shaw operations (approximately $660.0 million), primarily within our Engineering, Construction and Maintenance operating group, while the prior year period benefited from a large oil sands award in Canada (approximately $750.0 million), also within our Engineering, Construction and Maintenance operating group. See *Operating Group Results* below for further discussion.

Backlog at March 31, 2013 was approximately $25.5 billion, compared to $10.9 billion at December 31, 2012, with the increase primarily reflecting the impact of the Shaw Acquisition (approximately $15.0 billion).

*Revenue* Revenue was $2.3 billion for the first quarter 2013, representing a $1.1 billion increase (87%) from the corresponding 2012 period. Approximately $625.0 million of the increase was attributable to the impact of the Shaw Acquisition, primarily within our Engineering, Construction and Maintenance and Government Solutions operating groups. The remaining increase was primarily due to increased construction activities on our large LNG mechanical erection and gas processing projects in the Asia Pacific region, both within our Engineering, Construction and Maintenance operating group. Revenue for our Colombian refinery project within our Engineering, Construction and Maintenance operating group was approximately $225.0 million and $250.0 million (approximately 10% and 21% of our total revenue) for the 2013 and 2012 periods, respectively. See *Operating Group Results* below for further discussion.

*Gross Profit* Our gross profit was $246.1 million (10.9% of revenue) for the first quarter 2013, compared with $153.3 million (12.8% of revenue) for the corresponding 2012 period. The increase in absolute dollars was attributable to higher revenue for each of our operating groups, including revenue attributable to the Shaw Acquisition. The decrease in gross profit as a percentage of revenue was primarily due to our Engineering, Construction and Maintenance operating group representing a larger portion of our consolidated revenue and the impact of the acquired Shaw operations.

Table of Contents

*Selling and Administrative Expense* Selling and administrative expense was $94.0 million (4.2% of revenue) for the first quarter 2013, compared with $63.2 million (5.3% of revenue) for the corresponding 2012 period. The absolute dollar increase was attributable to the impact of the Shaw Acquisition (approximately $24.0 million) and increases associated with our incentive plans and global administrative support costs (approximately $5.0 million), with the remaining increase being predominantly inflationary in nature. Our stock-based compensation costs, which are predominantly in selling and administrative expense, are higher in the first quarter of each year due to the immediate expensing of awards for those participants that are eligible to retire. First quarter stock-based compensation expense totaled $32.5 million and $22.3 million for 2013 and 2012, respectively, or 55% and 63% of estimated annual expense for each of the respective periods.

*Intangibles Amortization* Intangibles amortization was $9.2 million for the first quarter 2013, compared to $6.1 million for the corresponding 2012 period. The increase over the prior year period was primarily due to $5.0 million of amortization recognized subsequent to the Acquisition Closing Date associated with the Shaw Acquisition.

*Equity Earnings* Equity earnings were $4.5 million for the first quarter 2013, compared to $1.8 million for the corresponding 2012 period. The increase was primarily due to higher earnings from our unconsolidated CLG joint venture.

*Acquisition-Related Costs* Acquisition-related costs of $61.3 million for the first quarter 2013 were comprised of transaction costs and change-in-control and severance-related costs associated with the Shaw Acquisition.

*Income from Operations* Income from operations was $86.5 million (3.8% of revenue) for the first quarter 2013, versus $85.8 million (7.1% of revenue) for the corresponding 2012 period. The increase in absolute value and decrease as a percentage of revenue were due to the $61.3 million of Shaw Acquisition-related costs and other reasons noted above. See *Operating Group Results* below for further discussion.

*Interest Expense and Interest Income* Interest expense was $22.7 million for the first quarter 2013, compared to $2.1 million for the corresponding 2012 period. Our 2013 results were impacted by interest and fees related to financing commitments associated with the Shaw Acquisition (approximately $20.0 million). Approximately $10.5 million of such interest related to one-time commitments satisfied during the quarter and interest and fees incurred prior to the Acquisition Closing Date. Interest income was $1.9 million for the first quarter 2013, compared to $2.2 million for the corresponding 2012 period.

*Income Tax Expense* Income tax expense for the first quarter 2013 was $22.8 million (34.7% of pre-tax income), compared with $24.9 million (29.0% of pre-tax income) for the corresponding 2012 period. Our tax rate increased by approximately 3.0% due to the non-deductible nature of certain Shaw Acquisition-related costs. The remainder of the increase was due to a greater percentage of current year income being earned in higher tax rate jurisdictions outside the U.S., and increased U.S. income resulting from the acquired Shaw operations. Our tax rate may experience fluctuations due primarily to changes in the geographic distribution of our pre-tax income.

*Net Income Attributable to Noncontrolling Interests* Noncontrolling interests are primarily associated with our large LNG mechanical erection and gas processing projects in the Asia Pacific region and certain operations in the U.S. and Middle East. Net income attributable to noncontrolling interests was $9.3 million for the first quarter 2013, compared to $1.5 million for the corresponding 2012 period. The change compared to 2012 was commensurate with the level of applicable operating results for the aforementioned projects in the Asia Pacific region. We expect to experience an increase in net income attributable to noncontrolling interests in future periods as these projects progress.

Table of Contents

**Operating Group Results**

*Engineering, Construction and Maintenance*

For comparative purposes only, the acquired Shaw Power results within our Engineering, Construction and Maintenance operating group have been shown separately below given there are no associated results in the 2012 period.

| | Three Months Ended March 31, (In thousands) | | | |
|---|---|---|---|---|
| | 2013 | % of Total | 2012 | % of Total |
| **New Awards** | | | | |
| Oil and Gas | $ 473,150 | 47% | $ 1,155,395 | 100% |
| Power | 527,300 | 53% | | |
| Total New Awards | $ 1,000,450 | | $ 1,155,395 | |
| **Revenue** | | | | |
| Oil and Gas | $ 1,056,353 | 74% | $ 709,781 | 100% |
| Power | 373,782 | 26% | | |
| Total Revenue | $ 1,430,135 | | $ 709,781 | |
| | | % of Revenue | | % of Revenue |
| **Income From Operations** | | | | |
| Oil and Gas | $ 44,370 | 4.2% | $ 27,420 | 3.9% |
| Power | 18,842 | 5.0% | | |
| Total Income From Operations | $ 63,212 | 4.4% | $ 27,420 | 3.9% |

*New Awards* New awards were $1.0 billion for the first quarter 2013, compared with $1.2 billion for the corresponding 2012 period. In addition to the impact of the Shaw Acquisition ($527.3 million), which included an extended commitment on an existing nuclear maintenance contract (approximately $445.0 million), significant new awards during 2013 included engineering services for an offshore LNG platform in the Norwegian Sea (approximately $180.0 million) and scope increases on our refinery project in Colombia (approximately $175.0 million). Significant new awards for the first quarter 2012 included the full release of EPC services for an oil sands project in Canada (approximately $750.0 million), front end engineering design ( FEED ) and project management services for a refinery in the Middle East (approximately $40.0 million), and various other awards, primarily in Europe.

*Revenue* Revenue was $1.4 billion for the first quarter 2013, representing an increase of $720.4 million (101%) compared with the corresponding 2012 period. Our 2013 results benefited from the impact of the Shaw Acquisition ($373.8 million), increased construction activities on our LNG mechanical erection and gas processing projects in the Asia Pacific region (approximately $130.0 million and $70.0 million, respectively), higher petrochemical project revenue in the U.S (approximately $57.0 million), increased progress on the expansion phase of our Canadian oil sands projects (approximately $80.0 million), and various projects in the Middle East, partly offset by the wind down of the initial phase of our Canadian oil sands projects (approximately $38.0 million). Approximately $122.1 million of the operating group s revenue was attributable to our nuclear projects in Georgia and South Carolina, for which revenue is anticipated to increase as construction activities progress.

*Income From Operations* Income from operations for the first quarter 2013 was $63.2 million (4.4% of revenue) versus $27.4 million (3.9% of revenue) for the corresponding 2012 period. Our 2013 results benefited from the impact of the Shaw Acquisition ($18.8 million) and generally benefited from the impact of higher revenue volume and related leverage of our operating costs, and savings on various projects, primarily in the Middle East and Europe (collectively approximately $16.0 million), partly offset by cost increases for a project in the U.S (approximately $14.0 million).

31

**Table of Contents**

*Fabrication Services*

For comparative purposes only, the acquired Shaw Fabrication and Manufacturing results within our Fabrication Services operating group have been shown separately below, given there are no associated results in the 2012 period.

| | Three Months Ended March 31, (In thousands) | | | |
|---|---|---|---|---|
| | 2013 | % of Total | 2012 | % of Total |
| **New Awards** | | | | |
| Steel Plate Structures | $ 662,588 | 94% | $ 410,923 | 100% |
| Fabrication and Manufacturing | 45,118 | 6% | | |
| Total New Awards | $ 707,706 | | $ 410,923 | |
| **Revenue** | | | | |
| Steel Plate Structures | $ 418,383 | 85% | $ 391,433 | 100% |
| Fabrication and Manufacturing | 76,665 | 15% | | |
| Total Revenue | $ 495,048 | | $ 391,433 | |
| | | % of Revenue | | % of Revenue |
| **Income From Operations** | | | | |
| Steel Plate Structures | $ 35,736 | 8.5% | $ 35,786 | 9.1% |
| Fabrication and Manufacturing | 9,288 | 12.1% | | |
| Total Income From Operations | $ 45,024 | 9.1% | $ 35,786 | 9.1% |

*New Awards* New awards were $707.7 million for the first quarter 2013, compared with $410.9 million for the corresponding 2012 period. In addition to the impact of the Shaw Acquisition ($45.1 million), significant new awards during 2013 included LNG storage tanks and facilities for two projects in the Asia Pacific region (approximately 180.0 million and $80.0 million) and ethane storage tanks in the U.S. (approximately $110.0 million). Significant new awards for the first quarter 2012 included petroleum storage tank work in the U.S. (approximately $60.0 million) and Canada (approximately $55.0 million), oil sands related work in Canada (approximately $50.0 million) and various other storage tank awards throughout the world.

*Revenue* Revenue was $495.0 million for the first quarter 2013, representing an increase of $103.6 million (26%) compared with the corresponding 2012 period. Our 2013 results benefited from the impact of the Shaw Acquisition ($76.7 million), increased construction activity on various LNG tank projects in the Asia Pacific region (approximately $43.0 million), and increased storage tank work in Canada and the U.S. (approximately $38.0 million), partly offset by the wind down of various projects in the Middle East (approximately $55.0 million).

*Income From Operations* Income from operations for the first quarter 2013 was $45.0 million (9.1% of revenue) versus $35.8 million (9.1% of revenue) for the corresponding 2012 period. Our 2013 results benefited from the impact of the Shaw Acquisition ($9.3 million) and generally benefited from the impact of higher revenue volume and related leverage of our operating costs, and savings on various projects in the Caribbean and South America (approximately $9.0 million), offset by the prior year period including savings on a project in the Middle East (approximately $11.0 million).

*Technology*

*New Awards* New awards were $152.7 million for the first quarter 2013, compared with $129.0 million for the corresponding 2012 period. The first quarter 2013 included an award for the license and engineering design of a propane dehydrogenation unit in the Asia Pacific region (approximately $18.0 million), while the prior year included an award for heat transfer equipment and engineering and design for a refinery in Russia (approximately $60.0 million). The award activity in 2013 and 2012 was primarily located in the Asia Pacific region, North America,

Russia and India.

*Revenue* Revenue was $151.5 million for the first quarter 2013, representing an increase of $51.4 million (51%) compared with the corresponding 2012 period. The increase was primarily attributable to a greater volume of heat transfer and licensing revenue due to a higher opening backlog entering 2013 versus 2012.

*Income From Operations* Income from operations for the first quarter 2013 was $35.5 million (23.5% of revenue) versus $22.6 million (22.6% of revenue) for the corresponding 2012 period. Our 2013 results benefited from increased revenue volume and increased equity earnings ($3.2 million), partly offset by better margins realized on our 2012 licensing and heat transfer activity.

*Government Solutions*

*New Awards/Revenue/Income From Operations* For the first quarter 2013, we had new awards of $85.0 million, revenue of $174.8 million and income from operations of $4.0 million (2.3% of revenue). Our results for the period were impacted by uncertainty with respect to Federal government funding and spending.

**Table of Contents**

**LIQUIDITY AND CAPITAL RESOURCES**

*Cash and Cash Equivalents* At March 31, 2013, cash and cash equivalents were $392.8 million.

*Operating Activities* During the first three months of 2013, net cash used in operating activities was $312.2 million, primarily resulting from cash generated from earnings, offset by an increase in accounts receivable of $153.6 million (including an increase of $123.9 million from the Acquisition Closing Date associated with the acquired Shaw operations), a net increase in contracts in progress of $180.0 million (including an increase of $44.4 million from the Acquisition Closing Date associated with the acquired Shaw operations) and a decrease in accrued and other non-current liability balances of $138.0 million. Our accounts receivable, accounts payable and net contracts in progress balances fluctuate based on the size of our projects and changing mix of cost-reimbursable versus fixed-price backlog, as our cost-reimbursable projects tend to have a greater working capital requirement. These balances are also impacted at period-end by the timing of accounts receivable collections and accounts payable payments for our large projects. The increases in these balances were primarily due to project movements for the acquired Shaw operations from the Acquisition Closing Date and a greater percentage of our revenue being derived from our large cost-reimbursable projects. The decrease in accrued and other non-current liabilities was primarily due to the payment of acquisition-related costs and annual incentive plan and savings plan obligations during the first quarter.

*Investing Activities* During the first three months of 2013, net cash used in investing activities was $1.8 billion, primarily resulting from the cash purchase price of $1.7 billion for the Shaw Acquisition, net of unrestricted cash acquired of $1.2 billion, net cash transferred to restricted cash of $37.5 million and capital expenditures of $14.9 million.

We will continue to evaluate and selectively pursue other opportunities for additional expansion of our business through the acquisition of complementary businesses and technologies. These acquisitions may involve the use of cash or may require further debt or equity financing.

*Financing Activities (Including Acquisition-Related Financing)* During the first three months of 2013, net cash provided by financing activities was $1.8 billion, primarily related to financing required to fund the Shaw Acquisition on February 13, 2013, as more fully described in Note 4 to our Financial Statements. We completed the Shaw Acquisition for a purchase price of approximately $3.4 billion, comprised of approximately $2.9 billion in cash consideration and approximately $498.5 million in equity consideration. The cash consideration was funded using approximately $1.1 billion from existing cash balances of CB&I and Shaw on the Acquisition Closing Date, and the remainder was funded using $1.8 billion in debt financing, which consisted of a four-year, $1.0 billion unsecured Term Loan and $800.0 million in Senior Notes. The Term Loan was funded during the first quarter of 2013; however, the Senior Notes were funded into an escrow account on December 28, 2012, but remained restricted from use until the Acquisition Closing Date. Shaw s unrestricted cash balance on the Acquisition Closing Date totaled approximately $1.2 billion, resulting in a cash purchase price, net of unrestricted cash acquired, of approximately $1.7 billion.

In addition to our acquisition-related financing, we had net cash inflows of $89.2 million associated with our revolving facilities, including borrowings of $116.2 million, partly offset by deferred financing costs of $27.0 paid during the period associated with the Shaw Acquisition. Additional cash inflows for the period included tax benefits associated with tax deductions in excess of recognized stock-based compensation costs of $10.8 million and cash proceeds from the issuance of shares associated with our stock plans of $14.9 million. These cash inflows were partly offset by a net cash outflow of $44.7 million associated with the repayment of Shaw s obligation related to the Westinghouse Bonds (as further described in Note 9 to our Financial Statements), repayment of $18.8 million on our Term Loan, share repurchases totaling $23.8 million associated with stock-based compensation-related withholding taxes on taxable share distributions, dividends paid to our shareholders of $5.3 million and distributions to our noncontrolling interest partners of $1.1 million.

*Effect of Exchange Rate Changes on Cash and Cash Equivalents* During the first three months of 2013, our cash and cash equivalents balance decreased by $7.2 million due to the impact of changes in functional currency exchange rates against the U.S. dollar for non-U.S. dollar cash balances, primarily the Euro and British Pound. The unrealized loss on our cash and cash equivalents balance resulting from this exchange rate movement is reflected in the cumulative translation adjustment component of OCI. Our cash and cash equivalents held in non-U.S. dollar currencies is used primarily for project-related and other operating expenditures in those currencies, and therefore, our exposure to realized exchange gains and losses is not anticipated to be material.

*Acquisition-Related Costs* During the three months ended March 31, 2013, we incurred approximately $19.9 million and $61.3 million of financing and acquisition-related costs, respectively, related to the Shaw Acquisition. Financing-related costs were recognized in interest expense and approximately $10.5 million of these costs related to one-time commitments satisfied during the quarter and interest and fees incurred prior to the Acquisition Closing Date. Acquisition-related costs included transaction costs and change-in-control and severance-related costs.

*Letters of Credit/Bank Guarantees/Debt/Surety Bonds* Our primary internal source of liquidity is cash flow generated from operations. Capacity under the revolving credit facilities discussed below is also available, if necessary, to fund operating or investing activities.

Table of Contents

We have a four-year, $1.1 billion, committed and unsecured Revolving Facility with JPMorgan as administrative agent, and BofA as syndication agent, which expires in July 2014. The Revolving Facility was amended effective December 21, 2012 to allow for the Shaw Acquisition and related financing, as further described below. The Revolving Facility, as amended, has a borrowing sublimit of $550.0 million and certain financial covenants, including a temporary maximum leverage ratio of 3.25 beginning at the Acquisition Closing Date, with such maximum declining to its previous level of 2.50 within six quarters of the Acquisition Closing Date, a minimum fixed charge coverage ratio of 1.75, and a minimum net worth level calculated as $1.5 billion at March 31, 2013. The Revolving Facility also includes customary restrictions regarding subsidiary indebtedness, sales of assets, liens, investments, type of business conducted and mergers and acquisitions, as well as a trailing twelve-month limitation of $300.0 million for dividend payments and share repurchases (subject to certain financial covenants) 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, letter of credit fee and commitment fee percentages are based upon our quarterly leverage ratio. In the event that we borrow funds under the facility, interest is assessed at either prime plus an applicable floating margin, or LIBOR plus an applicable floating margin. At March 31, 2013, we had no outstanding borrowings under the facility, but had $374.2 million of outstanding letters of credit, providing $725.8 million of available capacity. Such letters of credit are generally issued to customers in the ordinary course of business to support advance payments and performance guarantees, in lieu of retention on our contracts, or in certain cases, are issued in support of our insurance program. During the three-months ended March 31, 2013, our maximum outstanding borrowings under the facility were $70.0 million.

We also have a five-year, $650.0 million, committed and unsecured Second Revolving Facility with BofA, as administrative agent, and Credit Agricole, as syndication agent, which expires in February 2018. The Second Revolving Facility supplements our Revolving Facility, has a $487.5 million borrowing sublimit and 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, letter of credit fee, and commitment fee percentages are based upon our quarterly leverage ratio. In the event that we borrow funds under the facility, interest is assessed at either prime plus an applicable floating margin, or LIBOR plus an applicable floating margin. At March 31, 2013, we had $97.0 million of outstanding borrowings and $130.5 million of outstanding letters of credit under the facility (including $124.6 million used to replace Shaw s previous credit facilities), providing $422.5 million of available capacity. During the three months ended March 31, 2013, our maximum outstanding borrowings under the facility were $233.0 million.

We have $981.3 million remaining on a four-year, $1.0 billion unsecured Term Loan with BofA as administrative agent, which was used to fund a portion of the Shaw Acquisition on the Acquisition Closing Date. Interest and principal under the Term Loan is payable quarterly in arrears and bears interest at LIBOR plus an applicable floating margin. However, we entered into an interest rate swap on February 28, 2013 to hedge against $505.0 million of the $1.0 billion Term Loan, which resulted in a weighted average interest rate of approximately 2.47% during the three months ended March 31, 2013, inclusive of the applicable floating margin of 2.0%. Annual maturities for the Term Loan are $75.0 million, $100.0 million, $100.0 million, $150.0 million and $575.0 million in 2013, 2014, 2015, 2016 and 2017 respectively. The Term Loan has financial and restrictive covenants similar to those noted above for the Revolving Facility.

We have a series of Senior Notes totaling $800.0 million in the aggregate, with Merrill Lynch, Pierce, Fenner & Smith Incorporated, and Credit Agricole, as administrative agents, which were used to fund a portion of the Shaw Acquisition. The Senior Notes were funded into an escrow account on December 28, 2012, and were restricted from use until the Acquisition Closing Date. Accordingly, the escrowed funds were recorded as restricted cash, and the Senior Notes were recorded as long-term debt, on our December 31, 2012 Balance Sheet. The Senior Notes have financial and restrictive covenants similar to those noted above for the Revolving Facility and 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 $150.0 million due in December 2017 |
| Series B | Interest due semi-annually at a fixed rate of 4.57%, with principal of $225.0 million due in December 2019 |
| Series C | Interest due semi-annually at a fixed rate of 5.15%, with principal of $275.0 million due in December 2022 |
| Series D | Interest due semi-annually at a fixed rate of 5.30%, with principal of $150.0 million due in December 2024 |

*Uncommitted Facilities* We also have various short-term, Uncommitted Facilities across several geographic regions of approximately $1.8 billion. These facilities are generally used to provide letters of credit or bank guarantees to customers to support advance payments and

performance guarantees in the ordinary course of business or in lieu of retention on our contracts. At March 31, 2013, we had $19.2 million of outstanding borrowings and $749.7 million of outstanding letters of credit under these facilities (including $100.0 million used to replace Shaw s previous credit facilities), providing $1.1 billion of available capacity. In addition to providing letters of credit or bank guarantees, we also issue surety bonds in the ordinary course of business to support our contract performance.

At March 31, 2013, we were in compliance with all of our restrictive and financial covenants, with a leverage ratio of 2.09, a fixed charge coverage ratio of 4.83, and net worth of $1.9 billion. Our ability to remain in compliance with our lending facilities could be impacted by circumstances or conditions beyond our control, including, but not limited to, the delay or cancellation of projects, changes in foreign currency exchange or interest rates, performance of pension plan assets, or changes in actuarial assumptions. Further, we could be impacted if our customers experience a material change in their ability to pay us, if the banks associated with our lending facilities were to cease or reduce operations, or if there is a full or partial break-up of the European Union or its currency, the Euro.

*Shelf Registration Statement* We have a shelf registration statement with the SEC that expires on June 18, 2015. The shelf registration statement enables us to offer and sell shares of our common stock and issue debt securities (collectively, the Securities ) from time to time subsequent to the filing of a prospectus supplement which, among other things, identifies the sales agent, specifies the number and value of Securities that may be sold, and provides the time frame over which Securities may be offered.

Table of Contents

*Contractual Obligations* The following represents an update to contractual obligations previously disclosed in our 2012 Annual Report, primarily resulting from the Shaw Acquisition:

| | Payments Due by Period | | | | |
|---|---|---|---|---|---|
| | Total | Remainder of 2013 | 2014 - 2015 | 2016 - 2017 | Thereafter |
| Operating leases (1) | $ 500,127 | $ 93,841 | $ 163,489 | $ 100,415 | $ 142,382 |
| Term Loan (2) | 1,057,661 | 73,697 | 240,484 | 743,480 | |
| Total contractual obligations | $ 1,557,788 | $ 167,538 | $ 403,973 | $ 843,895 | $ 142,382 |

(1) Includes approximately $27.5 million of minimum lease payments that are contractually recoverable through our cost-reimbursable projects.

(2) Includes interest accruing at a fixed rate of 2.42%, inclusive of our interest rate swap (see above).

*Other* We believe our cash on hand, cash generated from operations, amounts available under our Revolving Facility, Second Revolving Facility and Uncommitted Facilities, and other external sources of liquidity, such as the issuance of debt and equity instruments, will be sufficient to finance our capital expenditures, settle our commitments and contingencies (as more fully described in Note 9 and Note 12 to our Financial Statements) and address our working capital needs for the foreseeable future. However, there can be no assurance that such funding will continue to be available, as our ability to generate cash flow from operations and our ability to access funding under our Revolving Facility, Second Revolving Facility and Uncommitted Facilities at reasonable terms, may be impacted by a variety of business, economic, legislative, financial and other factors, which may be outside of our control.

Additionally, while we currently have significant uncommitted bonding facilities, primarily to support various commercial provisions in our contracts, a termination or reduction of these bonding facilities could result in the utilization of letters of credit in lieu of performance bonds, thereby reducing the available capacity under the Revolving Facility and Second Revolving Facility. Although we do not anticipate a reduction or termination of the bonding facilities, there can be no assurance that such facilities will continue to be available at reasonable terms to service our ordinary course obligations.

A portion of our pension plans assets are invested in European Union government securities, which could be impacted by economic turmoil in Europe or a full or partial break-up of the European Union or its currency, the Euro. However, given the long-term nature of pension funding requirements, in the event any of our pension plans (including those with investments in European Union government securities) become materially underfunded from a decline in value of our plan assets, we believe our cash on hand and amounts available under our existing revolving and uncommitted facilities would be sufficient to fund any increases in future contribution requirements.

We are a defendant in a number of lawsuits arising in the normal course of business and we have in place appropriate insurance coverage for the type of work that we perform. As a matter of standard policy, we review our litigation accrual quarterly and as further information is known on pending cases, increases or decreases, as appropriate, may be recorded. See Note 12 to our Financial Statements for a discussion of pending litigation, including lawsuits wherein plaintiffs allege exposure to asbestos due to work we may have performed.

**OFF-BALANCE SHEET ARRANGEMENTS**

We use operating leases for facilities and equipment when they make economic sense, including sale-leaseback arrangements. Our sale-leaseback arrangements are not material to our Financial Statements, and we have no other significant off-balance sheet arrangements.

**NEW ACCOUNTING STANDARDS**

See the applicable section of Note 2 to our Financial Statements for a discussion of new accounting standards.

Table of Contents

**2012 QUARTERLY SEGMENT INFORMATION**

As discussed in Note 16 to our Financial Statements, in conjunction with the Shaw Acquisition, beginning in the first quarter of 2013, our management structure and internal and public segment reporting were realigned based upon the expanded services offered by our four distinct operating groups: Engineering, Construction and Maintenance; Fabrication Services; Technology; and Government Solutions. As discussed above, the results of our large mechanical erection project in the Asia Pacific region that were previously reported within our Steel Plate Structures segment (currently within our Fabrication Services operating group) in the prior year are now reported within our Engineering, Construction and Maintenance operating group. The following represents our 2012 quarterly new awards, revenue and income from operations adjusted to reflect the reclassification of amounts related to this project to align with our current reporting structure:

| | Three Months Ended | | | | |
|---|---|---|---|---|---|
| | March 31, 2012 | June 30, 2012 | September 30, 2012 | December 31, 2012 | Full Year 2012 |
| **New Awards** | | | | | |
| Engineering, Construction and Maintenance | $ 1,155,395 | $ 1,350,101 | $ 350,812 | $ 2,258,963 | $ 5,115,271 |
| Fabrication Services | 410,923 | 168,167 | 437,366 | 447,522 | 1,463,978 |
| Technology | 129,043 | 311,493 | 141,934 | 144,251 | 726,721 |
| Government Solutions | | | | | |
| Total new awards | $ 1,695,361 | $ 1,829,761 | $ 930,112 | $ 2,850,736 | $ 7,305,970 |
| **Revenue** | | | | | |
| Engineering, Construction and Maintenance | $ 709,781 | $ 759,817 | $ 871,084 | $ 964,695 | $ 3,305,377 |
| Fabrication Services | 391,433 | 451,062 | 425,360 | 424,678 | 1,692,533 |
| Technology | 100,053 | 88,650 | 150,498 | 148,095 | 487,296 |
| Government Solutions | | | | | |
| Total revenue | $ 1,201,267 | $ 1,299,529 | $ 1,446,942 | $ 1,537,468 | $ 5,485,206 |
| **Income From Operations** | | | | | |
| Engineering, Construction and Maintenance | $ 27,420 | $ 36,035 | $ 45,400 | $ 59,612 | $ 168,467 |
| Fabrication Services | 35,786 | 46,388 | 45,208 | 43,398 | 170,780 |
| Technology | 22,599 | 22,216 | 41,077 | 41,504 | 127,396 |
| Government Solutions | | | | | |
| Total operating groups | $ 85,805 | $ 104,639 | $ 131,685 | $ 144,514 | $ 466,643 |
| Acquisition-related costs | | (1,500) | (3,500) | (6,000) | (11,000) |
| Total income from operations | $ 85,805 | $ 103,139 | $ 128,185 | $ 138,514 | $ 455,643 |

**CRITICAL ACCOUNTING ESTIMATES**

The discussion and analysis of our financial condition and results of operations are based upon our Financial Statements, which have been prepared in accordance with U.S. GAAP. The preparation of these Financial Statements 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 continually evaluate our estimates based upon historical experience and various other assumptions that we believe to be reasonable under the circumstances. Our management has discussed the development and selection of our critical accounting estimates with the Audit Committee of our Supervisory Board of Directors. Actual results may differ from these estimates under different assumptions or conditions. We believe the following critical accounting policies affect our more significant judgments and estimates used in the preparation of our Financial Statements:

*Revenue Recognition* Revenue for our operating groups is primarily derived from long-term contracts for which revenue is recognized using the 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 FASB 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 subcontract and 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 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.

**Table of Contents**

Our long-term contracts are awarded on a competitive bid and negotiated basis and the timing of revenue recognition may be impacted by the terms of such contracts. We offer our customers 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, or 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. Our shorter term contracts and services are generally provided on a cost-reimbursable, fixed-price or unit price basis.

Contract revenue for our long-term contracts 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 incentives fees when the value can be reliably estimated and realization is reasonably assured. We recognize revenue associated with unapproved change orders and claims to the extent that related costs have been incurred, recovery is probable and the value can be reliably estimated. 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 15 for additional discussion of our unapproved change orders and claims.

With respect to our 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, we segment an EPC contract if it includes technology or fabrication services provided by a differing operating group and the technology or fabrication scope is independently negotiated and priced. In addition, 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 on a combined basis. 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, completion of certain phases of the work, or when services are provided. Cumulative costs and estimated earnings recognized to-date in excess of cumulative billings is reported on the Balance Sheet as costs and estimated earnings in excess of billings. Cumulative billings in excess of cumulative costs and estimated earnings recognized to-date is reported on the Balance Sheets as billings in excess of costs and estimated earnings. Any uncollected billed revenue, including contract retentions, is reported as accounts receivable. At March 31, 2013 and December 31, 2012, accounts receivable included contract retentions of approximately $48.2 million and $37.2 million, respectively. Contract retentions due beyond one year were not significant at March 31, 2013 or December 31, 2012.

Revenue for our government contracts and cost-reimbursable service contracts that do not satisfy the criteria for revenue recognition under the POC method, is generally recorded at the time services are performed.

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.

*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 do utilize foreign currency exchange rate derivatives on an on-going 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 credit risk and forward points, instruments deemed ineffective during the period and instruments that we do not designate as cash flow hedges are recognized within cost of revenue.

*Interest Rate Derivatives* Our interest rate derivatives are limited to a swap arrangement entered on February 28, 2013 to hedge against interest rate variability associated with $505.0 million of our $1.0 billion Term Loan. The swap arrangement is designated as a cash flow hedge, as its critical terms matched those of the Term Loan at inception and through March 31, 2013. Therefore, changes in the fair value of the swap arrangement are included in AOCI until the associated underlying exposure impacts our earnings.

*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 if, based upon the available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. The final realization of deferred tax assets depends upon our ability to generate sufficient future taxable income of the appropriate character and in the appropriate jurisdictions.

Table of Contents

At December 31, 2012, we had a recorded net deferred tax asset ( DTA ) of $21.9 million related to net operating losses ( NOLs ) generated in the U.K. We also had a valuation allowance against $74.6 million of U.K. NOLs for which we believe it is more likely than not that the NOLs will not be utilized. The U.K. NOL DTA was recorded primarily in 2007 and 2008 and relates to losses incurred during those years on two large fixed-price projects that were completed in the first quarter of 2010. We have had no material release of valuation allowance since it was initially recorded. On a periodic and ongoing basis we evaluate our recorded U.K NOL and assess the appropriateness of our valuation allowance. Our assessment includes, among other things, the value and quality of backlog, an evaluation of existing and anticipated market conditions, an analysis of historical results and projections of future income, and strategic plans and alternatives for our U.K. operations. We consider the impact of these and other factors, including the indefinite-lived nature of the U.K. NOLs, and determine whether an adjustment to our valuation allowance is required. Based on this analysis, we believe it is more likely than not that we will generate sufficient future taxable income to realize our U.K. NOL DTA. In order to realize the U.K. NOL DTA, our U.K. operations will need to generate taxable income of approximately $95.0 million. Based on this same analysis and as described above, we do not believe it is more likely than not that we will utilize our U.K. NOLs in excess of the amounts recorded. However, better than anticipated future operating results or a significant increase in backlog could impact our assessment and result in future changes in valuation allowance.

We provide income tax and associated interest reserves, where applicable, in situations where we have and have not received tax assessments. Tax and associated interest reserves are provided 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. At March 31, 2013, our reserves totaled approximately $11.6 million, including $6.4 million from the Shaw Acquisition. If these income tax benefits are ultimately recognized, approximately $8.0 million would impact the effective tax rate as we are contractually indemnified for the remaining balances. At December 31, 2012, our reserves totaled approximately $5.2 million. As a matter of standard policy, 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.

*Insurance* We maintain insurance coverage for various aspects of our business and operations. However, we retain a portion of anticipated losses through the use of deductibles and self-insured retentions for our exposures related to third-party liability and workers compensation. We regularly review estimates of reported and unreported claims through analysis of historical and projected trends, in conjunction with actuaries and other consultants, and provide for losses through insurance reserves. As claims develop and additional information becomes available, adjustments to loss reserves may be required. If actual results are not consistent with our assumptions, we may be exposed to gains or losses that could be material.

*Recoverability of Goodwill and Long-Lived Assets* Goodwill is not amortized to earnings, but instead is reviewed for impairment at least annually (at the reporting unit level), absent any indicators of impairment. As part of our annual impairment assessment, we first perform a qualitative assessment of goodwill to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value. If a two-phase quantitative assessment is deemed necessary for a reporting unit, based on the qualitative assessment, it would require us to allocate goodwill to the applicable reporting unit, compare its fair value to the carrying amount, including goodwill, and then, if necessary, record a goodwill impairment charge in an amount equal to the excess, if any, of the carrying amount of the reporting unit s goodwill over the implied fair value of that goodwill.

To the extent a quantitative assessment is required, the implied fair value of each applicable reporting unit would be derived using the discounted cash flow method. This methodology is based, to a large extent, on assumptions about future events, which may or may not occur as anticipated, and such deviations could have a significant impact on the calculated estimated fair values of our reporting units. These assumptions include, but are not limited to, estimates of future growth rates, discount rates and terminal values of reporting units. Our goodwill balance at March 31, 2013 was $3.4 billion, including $2.4 billion associated with the Shaw Acquisition. Based upon our most recent goodwill impairment assessment during the fourth quarter of 2012 and our current assessment of goodwill acquired in conjunction with the Shaw Acquisition, each of our reporting units continue to have estimated fair values that are substantially in excess of their carrying values.

We amortize our finite-lived intangible assets utilizing either a straight-line or other basis that reflects the period the associated contractual or economic benefits are expected to be realized, with lives ranging from 2 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 impairment exists. We noted no indicators of impairment during the three months ended March 31, 2013. See Note 6 to our Financial Statements for further discussion regarding goodwill and other intangible assets.

*Acquisition-Related Purchase Price Allocation* The aggregate purchase price for the Shaw Acquisition was allocated to the major categories of assets and liabilities acquired based upon their estimated fair values at the Acquisition Closing Date, which were based, in part, upon outside preliminary appraisals for certain assets, including specifically-identified intangible assets. The excess of the purchase price over the preliminary estimated fair value of the net tangible and identifiable intangible assets acquired totaling $2.4 billion, was recorded as goodwill. Our purchase

price allocation was based upon preliminary information that is subject to change when additional information concerning final asset and liability valuations is obtained. We have not completed our final assessment of the fair value of purchased intangible assets, property and equipment, inventory, tax balances, contingent liabilities, long-term leases or acquired contracts. Our final purchase price allocation may result in adjustments to certain assets and liabilities, including the residual amount allocated to goodwill.

*Partnering Arrangements* In the ordinary course of business, we execute specific projects and conduct certain operations through partnering ventures. We have various ownership interests in these ventures, with such ownership typically being proportionate to our decision-making and distribution rights. The venture entity generally contracts directly with the third party customer; however, services may be performed directly by the venture entity, or may be performed by us or our partners, or a combination thereof.

**Table of Contents**

Venture net assets consist primarily of cash, 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 FASB ASC 810. Our ventures generally qualify as a VIE when they (1) meet the definition of a legal entity, (2) absorb the operational risk of the projects being executed, creating a variable interest, and (3) lack 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 are required to 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 the equity method or proportionate consolidation. At March 31, 2013 and December 31, 2012, we had no material proportionately consolidated ventures. See Note 7 for additional discussion of our material partnering arrangements.

*Inventory* Inventory is recorded at the lower of cost or market and cost is determined using the FIFO 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 current locations and conditions. 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 disclosures associated with our inventory.

**FORWARD-LOOKING STATEMENTS**

This quarterly report on Form 10-Q, including all documents incorporated by reference, contains forward-looking statements regarding CB&I and represents our expectations and beliefs concerning future events. These forward-looking statements are intended to be covered by the safe harbor for forward-looking statements provided by the Private Securities Litigation Reform Act of 1995. Forward-looking statements involve known and unknown risks and uncertainties. When considering any statements that are predictive in nature, depend upon or refer to future events or conditions, or use or contain words, terms, phrases, or expressions such as achieve, forecast, plan, propose, strategy, envision, will, continue, potential, expect, believe, anticipate, project, estimate, predict, intend, should, could, may, might,
statements, we refer you to the cautionary statements concerning risk factors and Forward-Looking Statements described under Risk Factors in Item 1A of our 2012 Annual Report, which cautionary statements are incorporated herein by reference.

**Item 3. Quantitative and Qualitative Disclosures About Market Risk**

*Foreign Currency Risk* We are exposed to market risk associated with changes in foreign currency exchange rates, which may adversely affect our results of operations and financial condition. One form of exposure to fluctuating exchange rates relates to the effects of translating financial statements of foreign operations (primarily Australian Dollar, Canadian Dollar and Euro denominated) into our reporting currency, which are recognized as a cumulative translation adjustment in AOCI. We generally do not hedge our exposure to potential foreign currency translation adjustments.

We do not engage in currency speculation; however, we do utilize foreign currency exchange rate derivatives on an on-going 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 are included in AOCI until the associated underlying operating exposure impacts our earnings. Changes in the fair value of credit risk and forward points, instruments deemed ineffective during the period and instruments that we do not designate as cash flow hedges are recognized within cost of revenue and were not material for the three months ended March 31, 2013.

At March 31, 2013, the notional value of our outstanding forward contracts to hedge certain foreign currency exchange-related operating exposures was $150.6 million, including net foreign currency exchange rate exposure associated with the purchase of U.S. Dollars ($87.5 million), Euros ($25.7 million), Singapore Dollars ($17.5 million), British Pounds ($9.6 million), Chinese Renminbi ($5.8 million) and Thai Baht ($4.5 million). The total net fair value of these contracts was a loss of approximately $2.2 million at March 31, 2013. The potential change in fair value for our outstanding contracts resulting from a hypothetical ten percent change in quoted foreign currency exchange rates would have been approximately $16.3 million at March 31, 2013. This potential change in fair value of our outstanding contracts would be offset by the

change in fair value of the associated underlying operating exposures.

*Interest Rate Risk* On February 28, 2013, we entered an interest rate swap to hedge against interest rate variability associated with $505.0 million of our $1.0 billion 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 March 31, 2013. Accordingly, changes in the fair value of the interest rate swap are recognized in AOCI. The total net fair value of the contract was a loss of approximately $1.3 million at March 31, 2013. The potential change in fair value for our interest rate swap resulting from a hypothetical one percent change in the LIBOR rate would not have been approximately $14.8 million at March 31, 2013.

*Other* The carrying values of our accounts receivable and accounts payable approximate their fair values because of the short-term nature of these instruments. At March 31, 2013, the fair value of our Term Loan, based upon the current market rates for debt with similar credit risk and maturity, approximated its carrying value as interest is based upon LIBOR plus an applicable floating spread and is paid quarterly in arrears. See Note 10 to our Financial Statements for additional discussion of our financial instruments. At March 31, 2013, the fair value of our Senior Notes, based upon the current market rates for debt with similar credit risk and maturity, approximated its carrying value.

**Item 4. Controls and Procedures**

*Disclosure Controls and Procedures* As of the end of the period covered by this quarterly report on Form 10-Q, we carried out an evaluation, under the supervision and with the participation of our management, including the Chief Executive Officer ( CEO ) and Chief Financial Officer ( CFO ), of the effectiveness of the design and operation of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act )). As previously noted, we completed the Shaw Acquisition on February 13, 2013. The SEC s guidance permits the exclusion of an assessment of the effectiveness of a registrant s disclosure controls and procedures as they relate to its internal controls over financial reporting for an acquired business during the first year following such acquisition, if among other circumstances and factors there is not adequate time between the acquisition date and the date of assessment. In accordance with the SEC guidance, the scope of our evaluation of the Company s disclosure controls and procedures as of March 31, 2013 excluded an assessment of the internal control over financial reporting of Shaw. The acquired Shaw operations represent approximately 28% and 22% of our consolidated revenue and income from operations (excluding acquisition-related costs and including intangibles amortization) for the three months ended March 31, 2013. Based upon such evaluation, the CEO and CFO have concluded that, as of the end of such period, our disclosure controls and procedures are effective.

*Changes in Internal Control* As part of the integration of the Shaw Acquisition, we will integrate Shaw s operations, including internal controls and processes and extending our Section 404 compliance program to Shaw. There were no changes in our internal controls over financial reporting that occurred during the three months ended March 31, 2013 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

**PART II. OTHER INFORMATION**

**Item 1. 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. See Note 15 for additional discussion of claims associated with our projects.

*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 March 31, 2013, we have been named a defendant in lawsuits alleging exposure to asbestos involving approximately 5,300 plaintiffs and, of those claims, approximately 1,400 claims were pending and 3,900 have been closed through dismissals or settlements. Over the past several decades and through March 31, 2013, the claims alleging exposure to asbestos that have been resolved have been dismissed or settled for an average settlement amount of approximately one 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. We do not believe that any unresolved asserted claims will have a material adverse effect on our future results of operations, financial position or cash flow, and, at March 31, 2013, we had approximately $2.0 million 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 the acquired Shaw 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 that we are in compliance, in all material respects, with all environmental laws and regulations and maintain insurance coverage to mitigate our exposure to environmental liabilities. We do not believe that any environmental matters will have a material adverse effect on our future results of operations, financial position or cash flow. We do not anticipate that we will incur material capital expenditures for environmental controls or for the investigation or remediation of environmental conditions during the remainder of 2013 or 2014.

**Item 1A. Risk Factors**

An update to the risk factors disclosed in our 2012 Annual Report are filed as Exhibit 99.1 to this Form 10-Q and are incorporated herein by reference.

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

*Shelf Registration Statement* On June 19, 2012, we filed a shelf registration statement with the SEC on Form S-3 (File No. 333-182223) that expires on June 18, 2015. The shelf registration statement enables us to offer and sell shares of our common stock and issue debt securities (collectively, the Securities ) from time to time subsequent to the filing of a prospectus supplement which, among other things, identifies the sales agent, specifies the number and value of Securities that may be sold, and provides the time frame over which Securities may be offered.

**Item 3. Defaults Upon Senior Securities**

None.

**Item 4. Mine Safety Disclosures**

None.

**Item 5. Other Information**

None.

**Item 6. Exhibits**

(a) Exhibits

| | |
|---|---|
| 31.1 [1] | Certification Pursuant to Rule 13-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.2 [1] | Certification Pursuant to Rule 13-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32.1 [1] | Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 32.2 [1] | Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 99.1 [1] | Risk Factors |
| 101.INS [1],[2] | XBRL Instance Document. |
| 101.SCH [1],[2] | XBRL Taxonomy Extension Schema Document. |
| 101.CAL [1],[2] | XBRL Taxonomy Extension Calculation Linkbase Document. |
| 101.DEF [1],[2] | XBRL Taxonomy Extension Definition Linkbase Document. |
| 101.LAB [1],[2] | XBRL Taxonomy Extension Label Linkbase Document. |
| 101.PRE [1],[2] | XBRL Taxonomy Extension Presentation Linkbase Document. |

[1] Filed herewith

[2] Attached as Exhibit 101 to this report are the following documents formatted in XBRL (Extensible Business Reporting Language): (i) the Condensed Consolidated Statements of Operations for the three months ended March 31, 2013 and 2012, (ii) the Condensed Consolidated Statements of Comprehensive Income for the three months ended March 31, 2013 and 2012, (iii) the Condensed Consolidated Balance

Sheets as of March 31, 2013 and December 31, 2012, (iv) the Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2013 and 2012, (v) the Condensed Consolidated Statements of Changes in Shareholders   Equity for the three months ended March 31, 2013 and 2012, and (vi) the Notes to Financial Statements.

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.

Chicago Bridge & Iron Company N.V.
By: Chicago Bridge & Iron Company B.V.
Its: Managing Director

/s/ RONALD A. BALLSCHMIEDE
Ronald A. Ballschmiede
Managing Director
(Principal Financial Officer and Duly Authorized Officer)

Date: May 2, 2013