CHICAGO BRIDGE & IRON CO N V
Form 10-Q
October 30, 2013
Table of Contents

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, 2013

OR

¨ 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.

Incorporated in The Netherlands IRS Identification Number: Not Applicable

Oostduinlaan 75
2596 JJ The Hague
The Netherlands
31-70-3732010
(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 ¨ 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 ¨ 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). ¨ Yes x No

The number of shares outstanding of the registrant’s common stock as of October 15, 2013 – 107,507,353

Table of Contents

CHICAGO BRIDGE & IRON COMPANY N.V.
Table of Contents

Table of Contents

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,	
	2013	2012	2013	2012
	(Unaudited)			
Revenue	$2,992,050	$1,446,942	$8,094,270	$3,947,738
Cost of revenue	2,675,481	1,258,052	7,234,466	3,446,699
Gross profit	316,569	188,890	859,804	501,039
Selling and administrative expense	93,699	52,860	280,564	168,484
Intangibles amortization	17,411	5,996	42,682	18,125
Equity earnings	(5,734)	(705)	(16,137)	(6,515)
Other operating expense (income), net	3,800	(946)	2,136	(1,184)
Acquisition-related costs	5,257	3,500	76,477	5,000
Income from operations	202,136	128,185	474,082	317,129
Interest expense	(22,569)	(6,826)	(66,072)	(11,769)
Interest income	1,340	1,962	5,209	6,437
Income before taxes	180,907	123,321	413,219	311,797
Income tax expense	(47,944)	(37,068)	(117,684)	(91,726)
Net income	132,963	86,253	295,535	220,071
Less: Net income attributable to noncontrolling interests	(15,275)	(6,022)	(38,196)	(8,033)
Net income attributable to CB&I	$117,688	$80,231	$257,339	$212,038
Net income attributable to CB&I per share:				
Basic	$1.10	$0.83	$2.44	$2.19
Diluted	$1.08	$0.82	$2.41	$2.16
Weighted average shares outstanding:				
Basic	107,277	96,399	105,398	96,684
Diluted	108,665	97,814	106,874	98,231
Cash dividends on shares:				
Amount	$5,370	$4,836	$16,078	$14,553
Per share	$0.05	$0.05	$0.15	$0.15

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

Table of Contents

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
	(Unaudited)			
Net income	$132,963	$86,253	$295,535	$220,071
Other comprehensive income (loss), net of tax:				
Change in cumulative translation adjustment	24,950	9,573	(7,132)	4,777
Change in unrealized fair value of cash flow hedges	(2,980)	111	2,327	800
Change in unrecognized prior service pension credits/costs	(86)	(117)	(398)	(440)
Change in unrecognized actuarial pension gains/losses	(3,094)	(488)	2,190	1,372
Comprehensive income	151,753	95,332	292,522	226,580
Less: Net income attributable to noncontrolling interests	(15,275)	(6,022)	(38,196)	(8,033)
Less: Change in cumulative translation adjustment attributable to noncontrolling interests	(2,510)	(900)	(1,006)	(1,425)
Comprehensive income attributable to CB&I	$133,968	$88,410	$253,320	$217,122

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

Table of Contents

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

	September 30, 2013 (Unaudited)	December 31, 2012
Assets		
Cash and cash equivalents ($216,982 and $142,285 related to variable interest entities ("VIEs"))	$542,963	$643,395
Restricted cash (related to the Shaw Acquisition)	—	800,000
Accounts receivable, net ($208,362 and $63,649 related to VIEs)	1,391,720	752,985
Inventory	316,496	32,319
Costs and estimated earnings in excess of billings ($93,638 and $38,967 related to VIEs)	731,384	303,540
Deferred income taxes	595,560	88,681
Other current assets	146,050	100,635
Total current assets	3,724,173	2,721,555
Equity investments	86,936	97,267
Property and equipment, net ($24,410 and $0 related to VIEs)	769,441	285,871
Deferred income taxes	50,382	73,201
Goodwill	3,754,344	926,711
Other intangibles, net	597,652	166,308
Other non-current assets ($25,686 and $0 related to VIEs)	154,607	58,762
Total assets	$9,137,535	$4,329,675
Liabilities		
Revolving facility debt	$244,000	$—
Current maturities of long-term debt	93,750	—
Accounts payable ($276,252 and $87,301 related to VIEs)	1,091,784	654,504
Accrued liabilities	686,355	354,700
Billings in excess of costs and estimated earnings ($41,072 and $39,105 related to VIEs)	2,581,555	758,938
Deferred income taxes	8,326	4,380
Total current liabilities	4,705,770	1,772,522
Long-term debt	1,650,000	800,000
Other non-current liabilities	378,768	272,443
Deferred income taxes	164,535	88,400
Total liabilities	6,899,073	2,933,365
Shareholders’ Equity		
Common stock, Euro .01 par value; shares authorized: 250,000; shares issued: 107,857 and 101,523; shares outstanding: 107,404 and 96,835	1,275	1,190
Additional paid-in capital	745,100	363,417
Retained earnings	1,542,003	1,300,742
Stock held in trust	—	(3,031)
Treasury stock, at cost: 453 and 4,688 shares	(24,317)	(193,533)
Accumulated other comprehensive loss	(105,051)	(101,032)
Total CB&I shareholders’ equity	2,159,010	1,367,753
Noncontrolling interests	79,452	28,557
Total shareholders’ equity	2,238,462	1,396,310

Total liabilities and shareholders’ equity	$9,137,535	$4,329,675

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

Table of Contents

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

	Nine Months Ended September 30,	
	2013	2012
	(Unaudited)	
Cash Flows from Operating Activities		
Net income	$295,535	$220,071
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation and amortization	130,685	50,511
Deferred taxes	154,830	44,710
Stock-based compensation expense	51,220	34,805
Equity earnings	(16,137)	(6,515)
Gain on property and equipment transactions	(2,186)	(1,184)
Unrealized loss on foreign currency hedge ineffectiveness	499	115
Excess tax benefits from stock-based compensation	(11,192)	(18,054)
Change in operating assets and liabilities:		
Increase in receivables, net	(242,507)	(211,427)
Change in contracts in progress, net	(385,098)	(133,930)
Increase in inventory	(11,985)	(915)
(Decrease) increase in accounts payable	(98,338)	105,958
Decrease in other current and non-current assets	43,279	10,923
(Decrease) increase in accrued and other non-current liabilities	(136,656)	24,495
Decrease in equity investments	33,575	20,286
Change in other, net	497	(1,637)
Net cash (used in) provided by operating activities	(193,979)	138,212
Cash Flows from Investing Activities		
Shaw Acquisition, net of unrestricted cash acquired of $1,137,927	(1,713,333)	—
Other acquisitions	(60,825)	—
Capital expenditures	(60,524)	(50,996)
Proceeds from sale of property and equipment	9,234	4,909
Equity investments	(1,050)	—
Cash withdrawn from restricted cash and cash equivalents, net	10,672	—
Proceeds from sale of restricted short-term investments	18,568	—
Net cash used in investing activities	(1,797,258)	(46,087)
Cash Flows from Financing Activities		
Revolving facility borrowings, net	244,000	—
Term loan borrowings	1,000,000	—
Cash withdrawn from restricted cash and cash equivalents (Senior Notes)	800,000	—
Cash withdrawn from restricted cash and cash equivalents (Westinghouse-related debt)	1,309,022	—
Repayment of Westinghouse-related debt	(1,353,694)	—
Repayments on term loan	(56,250)	—
Excess tax benefits from stock-based compensation	11,192	18,054
Purchase of treasury stock	(24,996)	(123,255)
Issuance of stock	27,846	8,810
Dividends paid	(16,078)	(14,553)

Distributions to noncontrolling interests	(12,572)	(4,749)
Revolving facility and deferred financing costs	(26,987)	—
Net cash provided by (used in) financing activities	1,901,483	(115,693)
Effect of exchange rate changes on cash and cash equivalents	(10,678)	6,511
Decrease in cash and cash equivalents	(100,432)	(17,057)
Cash and cash equivalents, beginning of the year	643,395	671,811
Cash and cash equivalents, end of the period	$542,963	$654,754

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

Table of Contents

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

	Common Stock		Additional Paid-In	Retained	Stock Held in Trust		Treasury Stock		Accumulated Other Comprehensive (Loss) Income	Non-controlling	Total Shareh
	Shares	Amount	Capital	Earnings	Shares	Amount	Shares	Amount	(Note 13)	Interests	Equity
(Unaudited)											
Balance at December 31, 2012	96,835	$1,190	$363,417	$1,300,742	316	$(3,031)	4,688	$(193,533)	$(101,032)	$28,557	$1,396
Net income	—	—	—	257,339	—	—	—	—	—	38,196	295,53
Change in cumulative translation adjustment, net	—	—	—	—	—	—	—	—	(8,138)	1,006	(7,132
Change in unrealized fair value of cash flow hedges, net	—	—	—	—	—	—	—	—	2,327	—	2,327
Change in unrecognized prior service pension credits/costs, net	—	—	—	—	—	—	—	—	(398)	—	(398
Change in unrecognized actuarial pension gains/losses, net	—	—	—	—	—	—	—	—	2,190	—	2,190
Distributions to noncontrolling interests	—	—	—	—	—	—	—	—	—	(12,572)	(12,57
Dividends paid ($0.15 per share)	—	—	—	(16,078)	—	—	—	—	—	—	(16,07
Stock-based compensation expense	—	—	51,220	—	—	—	—	—	—	—	51,220
The Shaw Acquisition	8,893	85	388,600	—	—	—	(2,559)	100,125	—	24,265	513,07
	98	—	896	—	98	(5,245)	(98)	4,349	—	—	—

Issuance of treasury stock to trust											
Release of trust shares	(15)	—	(3,355)	—	(414)	8,276	15	(856)	—	—	4,065
Purchase of treasury stock	(467)	—	—	—	—	—	467	(24,996)	—	—	(24,99
Issuance of stock	2,060	—	(55,678)	—	—	—	(2,060)	90,594	—	—	34,916
Balance at September 30, 2013	107,404	$1,275	$745,100	$1,542,003	—	$—	453	$(24,317)	$(105,051)	$79,452	$2,238

	Common Stock		Additional Paid-In	Retained	Stock Held in Trust		Treasury Stock		Accumulated Other Comprehensive (Loss) Income	Non-controlling	Total Sharehol
	Shares	Amount	Capital	Earnings	Shares	Amount	Shares	Amount		Interests	Equity
(Unaudited)											
Balance at December 31, 2011	97,596	$1,190	$371,669	$1,018,481	752	$(9,788)	3,927	$(142,666)	$(61,152)	$18,696	$1,196,4
Net income	—	—	—	212,038	—	—	—	—	—	8,033	220,071
Change in cumulative translation adjustment, net	—	—	—	—	—	—	—	—	3,352	1,425	4,777
Change in unrealized fair value of cash flow hedges, net	—	—	—	—	—	—	—	—	800	—	800
Change in unrecognized prior service pension credits/costs, net	—	—	—	—	—	—	—	—	(440)	—	(440
Change in unrecognized actuarial pension gains/losses, net	—	—	—	—	—	—	—	—	1,372	—	1,372
Distributions to noncontrolling interests	—	—	—	—	—	—	—	—	—	(4,749)	(4,749
Dividends paid ($0.15 per share)	—	—	—	(14,553)	—	—	—	—	—	—	(14,553

Stock-based compensation expense	—	—	34,805	—	—	—	—	—	—	—	34,805
Release of trust shares	—	—	(1,715)	—	(435)	6,749	—	—	—	—	5,034
Purchase of treasury stock	(2,779)	—	—	—	—	—	2,779	(123,255)	—	—	(123,255
Issuance of stock	1,910	—	(46,285)	—	—	—	(1,910)	68,202	—	—	21,917
Balance at September 30, 2012	96,727	$1,190	$358,474	$1,215,966	317	$(3,039)	4,796	$(197,719)	$(56,068)	$23,405	$1,342,2

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

Table of Contents

CHICAGO BRIDGE & IRON COMPANY N.V.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2013
($ and share values in thousands, except per share data)
(Unaudited)

1. ORGANIZATION AND NATURE OF OPERATIONS

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 principal operating groups: (1) Engineering, Construction and Maintenance, (2) Fabrication Services, (3) Technology, and (4) Government Solutions. See Note 16 for a description of our operating groups and related financial information.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation—The accompanying unaudited interim Condensed Consolidated Financial Statements ("Financial Statements") for CB&I have been prepared pursuant to the rules and regulations of the United States ("U.S.") Securities and Exchange Commission (the "SEC") and in accordance with 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. 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, 2013 and 2012, our financial position as of September 30, 2013 and our cash flows for the nine months ended September 30, 2013 and 2012. The December 31, 2012 Condensed Consolidated Balance Sheet ("Balance Sheet") was derived from our December 31, 2012 audited Consolidated Balance Sheet. Inventory balances at December 31, 2012 have been reclassified from other current assets to conform to our September 30, 2013 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 2012 Annual Report on Form 10-K ("2012 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 the recognition of incentive fees and unapproved change orders and claims; determination of fair value with respect to acquired tangible and intangible net assets; recoverability assessments that must be periodically performed with respect to long-lived tangible assets, goodwill and other intangible assets; valuation of deferred tax assets, financial instruments and inventory; 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. 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.

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 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, 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 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 15 for additional discussion of our recorded unapproved change orders and claims.

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, we segment an EPC contract if it includes technology or fabrication services 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 Sheet as billings in excess of costs and estimated earnings. Any uncollected billed revenue, including contract retentions, is reported as accounts receivable. At September 30, 2013 and December 31, 2012, accounts receivable included contract retentions of approximately $60,100 and $37,200, respectively. Contract retentions due beyond one year were not significant at September 30, 2013 or December 31, 2012.

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.

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, 2013 and December 31, 2012, allowances for doubtful accounts were approximately $1,700 and $1,300, respectively.
Other Operating Expense (Income), Net—Other operating expense (income), net, generally represents losses (gains) associated with the sale or disposition of property and equipment.
Acquisition-Related Costs—Acquisition-related costs during the three and nine months ended September 30, 2013 primarily included transaction costs, professional fees, and change-in-control and severance-related costs of approximately $5,300 and $76,500, respectively, associated with our acquisition of The Shaw Group, Inc. (“Shaw”) (the “Shaw Acquisition”

or "the Acquisition"), as further described in Note 4. Comparable costs during the three and nine months ended September 30, 2012 were approximately $3,500 and $5,000, respectively.

Goodwill and Other Intangible Assets—Goodwill is not amortized to earnings, but instead is reviewed for impairment at least annually, absent any indicators of impairment. We perform our annual impairment assessment during the fourth quarter of each year based upon balances as of the beginning of that year's fourth quarter. As part of our annual impairment assessment in the fourth quarter of 2012, we performed a qualitative assessment of goodwill to determine whether it was more likely than not that the fair value of a reporting unit was less than its carrying value. Based upon this qualitative assessment, a two-phase quantitative assessment was not required to be performed for any of our reporting units. If, based on future qualitative assessments, the two-phase quantitative assessment is deemed necessary, the first phase would screen for impairment, while the second phase, if necessary, would measure impairment. If required, the implied fair value of a reporting unit would be derived by estimating the unit's discounted future cash flows. During the nine months ended September 30, 2013, no indicators of goodwill impairment were identified.

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. During the nine months ended September 30, 2013, no indicators of impairment were identified. See Note 6 for additional discussion of our goodwill and other 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 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 all 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 ("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 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 disclosures associated with 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. Foreign currency exchange gains (losses) are included within cost of revenue and were immaterial for the three and nine months ended September 30, 2013 and 2012.

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 (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—Our interest rate derivatives are limited to a swap arrangement entered on February 28, 2013 to hedge against interest rate variability associated with $505,000 of our $1,000,000 unsecured term loan (the “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 September 30, 2013. Therefore, 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 on-going 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 10 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 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. We continually review our facts and circumstances and as further information is known or events occur, changes in our deferred tax assets may be recorded.

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 September 30, 2013, our reserves totaled approximately $11,900, including $6,200 associated with the Shaw Acquisition. If these income tax reserves are ultimately unnecessary, approximately $8,700 would impact the effective tax rate as we are contractually indemnified for the remaining balances. At December 31, 2012, our reserves totaled approximately $5,200. 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 being proportionate to our decision-making and distribution rights. The venture generally contracts directly with the third party customer; however, services may be performed directly by the venture, or may be performed by us or our partners, or a combination thereof.

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 variable interest entity ("VIE") under the consolidations guidance in 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 September 30, 2013 and December 31, 2012, we had no material proportionately consolidated ventures. See Note 7 for additional discussion of our material partnering arrangements.

New Accounting Standards—In January 2013, the FASB issued Accounting Standards Update ("ASU") 2013-01, which requires companies to disclose additional information about derivative instruments that are subject to master netting arrangements ("MNAs"). See Note 10 for our applicable disclosures.

Table of Contents
CHICAGO BRIDGE & IRON COMPANY N.V.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

In February 2013, the FASB issued ASU 2013-02, which requires companies to disclose additional information about AOCI, including changes in AOCI balances by component and significant items reclassified from AOCI into earnings. See Note 13 for our applicable disclosures.

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,	
	2013	2012	2013	2012
Net income attributable to CB&I	$117,688	$80,231	$257,339	$212,038
Weighted average shares outstanding—basic (1)	107,277	96,399	105,398	96,684
Effect of restricted shares/performance shares/stock options (2)	1,319	1,345	1,405	1,477
Effect of directors' deferred-fee shares	69	70	71	70
Weighted average shares outstanding—diluted	108,665	97,814	106,874	98,231
Net income attributable to CB&I per share:				
Basic	$1.10	$0.83	$2.44	$2.19
Diluted	$1.08	$0.82	$2.41	$2.16
(1) 2013 includes the impact of 8,893 shares issued in connection with the Shaw Acquisition				
(2) Antidilutive options excluded from EPS	118	166	142	166

4. ACQUISITIONS

Shaw Acquisition

General—On July 30, 2012, we entered into a definitive agreement (the "Acquisition Agreement") to acquire Shaw, whose operations include engineering, procurement, construction, maintenance, fabrication, modularization, consulting, remediation, and program management services for electric utilities, independent and merchant power producers, government agencies, multinational and national oil companies, and industrial companies. On February 13, 2013 (the "Acquisition Closing Date"), we completed the Shaw Acquisition for a gross purchase price of $3,340,070, comprised of $2,851,260 in cash consideration and $488,810 in equity consideration. The cash consideration was funded using $1,051,260 from existing cash balances of CB&I and Shaw on the Acquisition Closing Date, and the remainder was funded using debt financing, as further described in Note 9. Shaw's unrestricted cash balance on the Acquisition Closing Date totaled $1,137,927, and accordingly, the cash portion of our purchase price, net of cash acquired, was $1,713,333 and our total purchase price, net of cash acquired, was $2,202,143.

At the Acquisition Closing Date, each issued and outstanding share of Shaw common stock, no par value (other than any dissenting shares, treasury shares, or shares held by Shaw, CB&I or their respective subsidiaries), was canceled and extinguished and converted into the right to receive (i) $41.00 in cash and (ii) an amount of cash in Euros equal to the par value of 0.12883 shares of CB&I common stock, which cash was not actually paid, but was instead converted automatically into 0.12883 shares of CB&I common stock (the "Acquisition Consideration"). Stock-settled and cash-settled equity-based awards relating to shares of Shaw's common stock were either canceled and converted into the right to receive the Acquisition Consideration (or the cash value thereof) or were converted into comparable CB&I awards on generally the same terms and conditions as prior to the Acquisition Closing Date. On the Acquisition Closing Date, we issued 8,893 shares of CB&I common stock and converted an equivalent of 1,362 shares into CB&I stock-settled equity-based awards. An equivalent of 473 shares of CB&I cash-settled equity-based awards were converted and recognized as a liability on our initial balance sheet within accrued and other non-current liabilities. From the Acquisition Closing Date through September 30, 2013, revenue and income from operations associated with the Shaw Acquisition (excluding acquisition-related costs and including intangibles amortization) totaled approximately $2,884,700 and $130,000, respectively. Additionally, in connection with the Shaw Acquisition, during the three months ended September 30, 2013, we incurred approximately $20,000 and $5,300 of financing and acquisition-related costs, respectively, and during the nine months ended September 30, 2013, we incurred approximately $59,100 and $76,500 of financing and acquisition-related costs, respectively. Financing-related costs were recognized in interest expense on our Statement of Operations and included approximately $8,500 of interest and fees incurred prior to the Acquisition Closing Date, and approximately $2,000 of interest related to one-time commitments satisfied during the first quarter of 2013 (see Note 9 for further discussion). Acquisition-related costs primarily included transaction costs, professional fees, and change-in-control and severance-related costs.

Preliminary Purchase Price Allocation—The aggregate purchase price noted above has been 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 and machinery and equipment. The excess of the purchase price over the preliminary estimated fair value of the net tangible and identifiable intangible assets acquired, totaling $2,826,450, was recorded as goodwill.

The following table summarizes our preliminary purchase price allocation at the Acquisition Closing Date:

Net tangible assets:	
Unrestricted cash	$1,137,927
Inventory	272,192
Other current assets	504,442
Property and equipment	516,407
Other non-current assets	76,258
Deferred income taxes, net (1)	543,006
Westinghouse obligations, net (2)	(44,793)
Contracts in progress, net (3)	(1,779,871)
Accounts payable	(535,618)
Other current liabilities	(442,814)
Other non-current liabilities	(145,616)
Total net tangible assets	101,520
Intangible assets (4):	
Backlog and customer relationships	280,800
Tradenames	121,000
Other	10,300
Total intangible assets	412,100
Goodwill (5)	2,826,450
Total purchase price	3,340,070
Unrestricted cash acquired	(1,137,927)
Total purchase price, net of unrestricted cash acquired	$2,202,143

(1) Deferred Income Taxes—Deferred income taxes represent deferred taxes recorded in connection with our preliminary purchase price allocation and include $677,879 of deferred tax assets and $134,873 of deferred tax liabilities.

(2) Westinghouse Obligations—Westinghouse obligations represent the net obligation we acquired associated with Shaw's investment in Westinghouse and includes $1,380,086 of bond obligations less $1,335,293 of acquired restricted cash that was used to settle a portion of the bond obligation. See Note 9 for further discussion.

(3) Contracts in Progress—Included in contracts in progress is a margin fair value adjustment of approximately $650,800 associated with acquired long-term contracts that were less than fair value at the Acquisition Closing Date. This margin fair value adjustment will be included in revenue on a POC basis as the applicable projects progress over approximately five to six years.

(4)

Intangible Assets—Acquired intangible assets totaling $412,100 primarily consist of backlog, customer relationships and tradenames. Backlog and customer relationships represent the fair value of existing contracts and the underlying customer relationships, have estimated lives ranging from 2 to 20 years, and are amortized over a weighted average life of 6 years. The fair value of acquired tradenames have estimated lives of 10 years and are amortized over a weighted average life of 3 years. Other intangible assets primarily consist of the fair value of technologies, have estimated lives of 15 years and are amortized over a weighted average life of 5 years. The amortization lives and timing of amortization for all the acquired intangible assets are based on the estimated periods over which the economic benefits are anticipated to be realized. For the nine months ended September 30, 2013, amortization for these intangible assets totaled approximately $28,750.

(5) Goodwill—Goodwill represents the excess of the purchase price over the fair value of the underlying acquired net tangible and intangible assets. The factors contributing to our goodwill balance include the acquired established workforce and estimated future cost savings and revenue synergies associated with our combined operations. Our allocation of goodwill to each operating group has not been completed and, accordingly, has not been presented. Of the $2,826,450 of estimated total goodwill recorded in conjunction with the Shaw Acquisition, approximately $44,200 is deductible for tax purposes.

The purchase price allocation and related amortization periods are based upon preliminary information and are 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, partnering arrangements or acquired contracts. Our final purchase price allocation, to be completed in the fourth quarter 2013, may result in adjustments to certain assets and liabilities, including the residual amount allocated to goodwill. Significant changes in our preliminary purchase price allocation since our initial estimate reported in the first quarter 2013 were primarily related to $662,085 of fair value adjustments associated with our acquired contracts, $20,570 of increases in the estimated fair value of machinery and equipment, and $239,599 of associated net adjustments to deferred taxes.

Supplemental Pro Forma Financial Information (Unaudited)—The following unaudited pro forma condensed combined financial information (“the pro forma financial information”) gives effect to the acquisition of Shaw by CB&I, accounted for as a business combination using the purchase method of accounting. CB&I’s fiscal year ends on December 31, while Shaw’s ended on August 31, prior to the Acquisition. To give effect to the Shaw Acquisition for pro forma financial information purposes, Shaw’s historical results were brought to within one month of CB&I’s interim results for the three and nine month periods ended September 30, 2012, and included the three and nine month periods ended August 31, 2012. The pro forma financial information reflects the Shaw Acquisition and related events as if they occurred on January 1, 2012, and gives effect to pro forma events that are directly attributable to the Acquisition, factually supportable, and expected to have a continuing impact on the combined results of CB&I and Shaw following the Acquisition. The pro forma financial information includes adjustments to: (1) exclude transaction costs, professional fees, and change-in-control and severance-related costs that were included in CB&I's and Shaw’s historical results and are not expected to be recurring; (2) exclude the results of portions of the Shaw business that were not acquired by CB&I or are not expected to have a continuing impact; (3) include additional intangibles amortization and net interest expense associated with the Shaw Acquisition; and (4) include the pro forma results of Shaw from January 1, 2013 through the Acquisition Closing Date for the nine month period ended September 30, 2013. Adjustments, net of tax, included in the pro forma net income below that were of a non-recurring nature totaled approximately $3,600 and $61,100 for the three and nine month 2013 periods, respectively, reflecting the elimination of financing and acquisition-related costs. Non-recurring adjustments to the comparable 2012 periods below totaled approximately $57,100 and $50,700, respectively, reflecting the exclusion of net income generated from portions of the Shaw business that were not acquired, as well as the elimination of acquisition-related costs. This pro forma financial information has been presented for illustrative purposes only and is not necessarily indicative of the operating results that would have been achieved had the pro forma events taken place on the dates indicated. Further, the pro forma financial information does not purport to project the future operating results of the combined company following the Acquisition.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Pro forma revenue	$2,988,550	$2,786,270	$8,584,140	$8,037,570

Pro forma net income attributable to CB&I	$121,344	$109,942	$321,027	$248,876
Pro forma net income attributable to CB&I per share:				
Basic	$1.13	$1.04	$3.00	$2.36
Diluted	$1.12	$1.03	$2.96	$2.32

Other Acquisitions

In May 2013, we acquired a coal gasification technology ("E-Gas") for cash consideration of approximately $60,800. The E-Gas acquisition primarily consisted of process technology intangible assets that will be amortized on a straight-line basis over a fifteen year period to match the period over which the economic benefits are anticipated to be realized.

Table of Contents

5. INVENTORY

The components of inventory at September 30, 2013 and December 31, 2012 were as follows:

	September 30, 2013	December 31, 2012
Raw materials	$184,452	$11,870
Work in process	39,393	1,360
Finished goods	92,651	19,089
Total	$316,496	$32,319

6. GOODWILL AND OTHER INTANGIBLES

Goodwill—At September 30, 2013 and December 31, 2012, our goodwill balances were $3,754,344 and $926,711, respectively, attributable to the excess of the purchase price over the fair value of net assets acquired in connection with our acquisitions:

Balance at December 31, 2012	$926,711
Shaw Acquisition (Note 4)	2,826,450
Foreign currency translation	5,596
Amortization of tax goodwill in excess of book goodwill	(4,413)
Balance at September 30, 2013	$3,754,344

During the nine months ended September 30, 2013, no indicators of goodwill impairment were identified and therefore no goodwill impairment charge was recorded. There can be no assurance that our future goodwill impairment analyses will not result in charges to earnings.

Other Intangible Assets—The following table provides a summary of our acquired finite-lived intangible assets at September 30, 2013 and December 31, 2012, including weighted-average useful lives for each major intangible asset class and in total:

	September 30, 2013		December 31, 2012	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Finite-lived intangible assets (weighted average life)				
Backlog and customer relationships (6 years)	$280,800	$(20,348)	$—	$—
Process technologies (15 years)	301,109	(85,192)	228,304	(71,391)
Tradenames (4 years)	131,504	(11,018)	10,417	(2,659)
Lease agreements (6 years)	7,597	(7,322)	7,409	(6,599)
Non-compete agreements (7 years)	2,979	(2,457)	2,929	(2,102)
Total (9 years) (1)	$723,989	$(126,337)	$249,059	$(82,751)

(1) The increase in intangibles during the nine months ended September 30, 2013 primarily relates to approximately $412,100 of intangibles acquired in connection with the Shaw Acquisition and approximately $60,800 acquired in connection with our acquisition of E-Gas (both as further discussed in Note 4), partially offset by amortization expense. Amortization expense for our intangibles existing at September 30, 2013 is anticipated to be approximately $59,500, $77,500, $67,700, $60,300 and $49,000 for 2013, 2014, 2015, 2016 and 2017, respectively.

7. PARTNERING ARRANGEMENTS

As discussed in Note 2, we account for our unconsolidated ventures primarily using the equity method of accounting. 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.

Unconsolidated Ventures—The following is a summary description of our material unconsolidated 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%), to provide licenses, basic engineering services and catalyst supply for deep conversion (e.g. hydrocracking), residual hydroprocessing and lubes processing through CLG. The business primarily focuses on converting/upgrading heavy/sour crude that is produced in the refinery process to more marketable products. As sufficient capital investments in CLG have been made by the venture partners, it does not qualify as a VIE. Additionally, we do not effectively control CLG and therefore do not consolidate the venture.

- NET Power LLC ("NET Power")—We have a commitment to invest up to $50,400 in cash and in-kind services in NET Power, a venture between CB&I and various other parties, formed for the purpose of developing a new fossil fuel-based power generation technology and building a demonstration unit that is intended to produce cost-effective power with little-to-no carbon dioxide emissions. Our investment funding is contingent upon demonstration of various levels of feasibility of the NET Power technology and could result in up to a 50% interest in NET Power and provide for the exclusive right to engineer, procure and construct NET Power plants. At September 30, 2013, we had cumulatively invested cash and in-kind services of approximately $6,700, including $4,500 recognized prior to the Shaw Acquisition, and had an approximate 10% interest in NET Power. Cash and in-kind contributions subsequent to the Shaw Acquisition have been expensed within our equity earnings.

We have no other material unconsolidated ventures.

Consolidated Ventures—The following is a summary description of the material 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 Liquefied Natural Gas ("LNG") trains, including associated utilities and a domestic gas processing and compression plant, for the Gorgon LNG project, located on Barrow Island, Australia. Our CB&I/Kentz project value is approximately $4,500,000.

- CB&I/Clough—We have a venture with Clough (CB&I—65%, Clough—35%) to perform the EPC work for a gas conditioning plant, nearby wellheads, and associated piping and infrastructure for the Papua New Guinea LNG project, located in the Southern Highlands of Papua New Guinea. Our CB&I/Clough project value is approximately $2,000,000.

- CB&I/AREVA—We have a venture with AREVA (CB&I—70%, AREVA—30%) to design, license and construct a mixed oxide fuel fabrication facility in Aiken, South Carolina, which will be used to convert weapons-grade plutonium into fuel for nuclear power plants for the U.S. Department of Energy. Our CB&I/AREVA project value is approximately $5,000,000.

CHICAGO BRIDGE & IRON COMPANY N.V.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

All other ventures that we consolidate due to their designation as VIEs are not individually material and are therefore aggregated as "All Other" in the table below. The following table presents summarized balance sheet information for our consolidated VIEs:

	September 30, 2013	December 31, 2012
CB&I/Kentz		
Current assets	$169,471	$82,421
Current liabilities	$64,478	$39,276
CB&I/Clough		
Current assets	$171,679	$145,666
Current liabilities	$88,072	$79,523
CB&I/AREVA (1)		
Current assets	$117,510	$—
Current liabilities	$136,095	$—
All Other		
Current assets	$83,681	$24,536
Non-current assets	50,096	—
Total assets	$133,777	$24,536
Current liabilities	$56,957	$28,339

(1) The CB&I/AREVA asset and liability values are based upon preliminary information and are subject to change upon finalization of our fair value assessment of the Shaw Acquisition (see Note 4).

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 to complete their obligations to us, the venture, or ultimately, our customer. This could result in unanticipated costs to achieve contractual performance requirements, liquidated damages or contract disputes, including claims against our partners.

8. FACILITY REALIGNMENT AND CHANGE-IN-CONTROL LIABILITIES

At September 30, 2013 and December 31, 2012, we had a facility realignment liability related to the recognition of future operating lease expense for unutilized facility capacity where we remain contractually obligated to a lessor. The liability was recognized within accrued liabilities and other non-current liabilities, as applicable, based upon the anticipated timing of payment. Additionally, we had change-in-control obligations of approximately $37,000 associated with the Shaw Acquisition that were paid in the third quarter 2013. The following table summarizes the movements in the facility realignment and change-in-control liabilities during the nine months ended September 30, 2013:

Balance at December 31, 2012	$12,752
Charges	—
Shaw Acquisition-related obligations	37,000
Cash payments	(43,611)
Foreign exchange and other	17
Balance at September 30, 2013	$6,158

9. DEBT

Our outstanding debt at September 30, 2013 and December 31, 2012 was as follows:

	September 30, 2013	December 31, 2012
Current		
Revolving facility debt	244,000	—
Current maturities of term loan	93,750	—
Current debt	$337,750	$—
Long-Term		
Term Loan: $1,000,000 term loan (interest at LIBOR plus an applicable floating margin)	943,750	—
Senior Notes: $800,000 senior notes, series A-D (fixed interest ranging from 4.15% to 5.30%)	800,000	800,000
Less: current maturities of term loan	(93,750)	—
Long-term debt	$1,650,000	$800,000

Revolving Facilities—At September 30, 2013, we had a four-year, $1,100,000, committed and unsecured revolving credit facility (the “Revolving Facility”) with JPMorgan Chase Bank, N.A. (“JPMorgan”), as administrative agent, and Bank of America, N.A. (“BofA”), as syndication agent, which was scheduled to expire in July 2014 and was replaced with a new revolving credit facility (discussed below). The Revolving Facility was previously amended effective December 21, 2012 to allow for the Shaw Acquisition and related financing. The Revolving Facility, as amended, had a borrowing sublimit of $550,000 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 $1,505,896 at September 30, 2013. The Revolving Facility also included 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 for dividend payments and share repurchases of $200,000 if our leverage ratio exceeded 2.00 and $300,000 if our leverage ratio was below 2.00, among other restrictions. In addition to interest on debt borrowings, we were 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 were based upon our quarterly leverage ratio. In the event we borrowed funds under the facility, interest was assessed at either prime plus an applicable floating margin, or LIBOR plus an applicable floating margin. At September 30, 2013, we had no outstanding borrowings under the facility, but had $157,174 of outstanding letters of credit, providing $942,826 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 nine months ended September 30, 2013, our maximum outstanding borrowings under the facility were approximately $195,500.

Effective October 28, 2013, we replaced our Revolving Facility, with a five-year, $1,350,000, committed and unsecured revolving facility (the "New Revolving Facility") with BofA, as administrative agent, and BNP Paribas Securities Corp., BBVA Compass, Credit Agricole Corporate and Investment Bank (“Credit Agricole”) and The Royal Bank of Scotland plc, each as syndication agents, which expires in October 2018. The New Revolving Facility has a borrowing sublimit of $675,000 (with financial letters of credit not to exceed $270,000) and certain financial covenants, including a maximum leverage ratio of 3.00, a minimum fixed charge coverage ratio of 1.75, and a minimum net worth level calculated subsequent to September 30, 2013. The New 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.
We also have a five-year, $650,000, committed and unsecured revolving credit facility (the “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 $487,500 borrowing sublimit, had financial and restrictive covenants similar to those noted above for the Revolving Facility, and was amended effective October 28, 2013 to include financial and restrictive covenants similar to those noted above for the New 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 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 September 30, 2013, we had $244,000 of outstanding borrowings and $208,519 of outstanding letters of credit under the facility (including $95,467 to replace Shaw's previous credit facilities), providing $197,481 of available capacity. During the nine months ended September 30, 2013, our maximum outstanding borrowings under the facility were $427,000.

Term Loan—At September 30, 2013, we had $943,750 remaining on our four-year, $1,000,000 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 $505,000 of the $1,000,000 Term Loan, which resulted in a weighted average interest rate of approximately 2.44% during the nine months ended September 30, 2013, inclusive of the applicable floating margin of 2.0%. Annual maturities for the Term Loan are $75,000, $100,000, $100,000, $150,000 and $575,000 in 2013, 2014, 2015, 2016 and 2017, respectively. The Term Loan had financial and restrictive covenants similar to those noted above for the Revolving Facility and was amended effective October 28, 2013 to include financial and restrictive covenants similar to those noted above for the New Revolving Facility.

Senior Notes—We have a series of senior notes totaling $800,000 in the aggregate ("Senior Notes"), 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 had financial and restrictive covenants similar to those noted above for the Revolving Facility and will have prospective covenants similar to the New 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

Uncommitted Facilities—We also have various short-term, uncommitted revolving credit facilities (the "Uncommitted Facilities") across several geographic regions of approximately $1,928,730. 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 September 30, 2013, we had $744,275 of outstanding letters of credit under these facilities (including $103,939 to replace Shaw's previous credit facilities), providing $1,184,455 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.

Westinghouse Bonds—In 2006, Shaw purchased a 20% equity interest in Westinghouse Electric Company ("WEC"), the majority-owner of which is Toshiba Corporation ("Toshiba"). Shaw's total cost of the equity investment was approximately $1,100,000, which was financed through the Japanese private placement market by issuing 128,980,000 Japanese Yen ("JPY") (equivalent to approximately $1,100,000 at the time of issuance) limited recourse bonds (the "Westinghouse Bonds"). In conjunction with Shaw's investment in Westinghouse, Shaw also entered into JPY-denominated put option agreements (the "Put Option") that provided Shaw an option to sell its investment in Westinghouse to Toshiba for 96.7% of the original investment value (approximately 124,724,000 JPY or approximately $1,064,000). In October 2012, Shaw exercised the Put Option, which required Toshiba to fund

approximately 124,724,000 JPY (approximately $1,309,000) into a JPY-denominated trust account for purposes of repaying the Westinghouse Bonds on their maturity date of March 15, 2013. The trust account was funded by Toshiba on January 4, 2013. On March 15, 2013, the Westinghouse Bond holders were repaid from proceeds of the trust account and a payment by CB&I for the remaining 3.3% shortfall of the principal amount (approximately 4,256,000 JPY or $44,800). The Westinghouse Bonds, and the associated cash funded by Toshiba into the trust account, were included in Shaw's Acquisition Closing Date balance sheet. See Note 4 for further discussion of the preliminary purchase price allocation associated with the Shaw Acquisition.
Compliance and Other—At September 30, 2013, we were in compliance with all of our restrictive and financial covenants associated with our debt and revolving credit facilities. Capitalized interest was insignificant at September 30, 2013 and December 31, 2012.

10. FINANCIAL INSTRUMENTS

Foreign Currency Exchange Rate Derivatives

Operating Exposures—At September 30, 2013, the notional value of our outstanding forward contracts to hedge certain foreign exchange-related operating exposures was approximately $190,300. These contracts vary in duration, maturing up to three 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. We exclude forward points, which are recognized as ineffectiveness within cost of revenue and are not material to our earnings, from our hedge assessment analysis.

Interest Rate Derivatives

Interest Rate Exposures—On February 28, 2013, we entered a swap arrangement to hedge against interest rate variability associated with $505,000 of our $1,000,000 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, 2013. Accordingly, changes in the fair value of the hedge 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. Our cash and cash equivalents and restricted cash are classified within Level 1 of the valuation hierarchy as they are valued at cost, which approximates fair value.

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