CHICAGO BRIDGE & IRON CO N V
Form 10-Q
April 24, 2018

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 March 31, 2018
OR
o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
Commission File Number 1-12815

CHICAGO BRIDGE & IRON COMPANY N.V.

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

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
o Yes x No
The number of shares outstanding of the registrant's common stock as of April 16, 2018 – 102,548,319

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

Table of Contents

PART I—FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

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

	Three Months Ended March 31,	
	2018	2017
	(Unaudited)	
Revenue	$1,745,619	$1,827,352
Cost of revenue	1,572,520	1,676,401
Gross profit	173,099	150,951
Selling and administrative expense	64,498	73,057
Intangibles amortization	6,552	6,486
Equity earnings	(9,444)	(7,611)
Restructuring related costs	5,110	—
Other operating (income) expense, net	(1,314)	31
Income from operations	107,697	78,988
Interest expense	(52,452)	(24,101)
Interest income	577	1,228
Income from operations before taxes	55,822	56,115
Income tax expense	(11,164)	(13,704)
Net income from continuing operations	44,658	42,411
Net income from discontinued operations	—	9,494
Net income	44,658	51,905
Less: Net income attributable to noncontrolling interests ($0 and $413 related to discontinued operations)	(764)	(27,250)
Net income attributable to CB&I	$43,894	$24,655
Net income attributable to CB&I per share (Basic):		
Continuing operations	$0.43	$0.16
Discontinued operations	—	0.09
Total	$0.43	$0.25
Net income attributable to CB&I per share (Diluted):		
Continuing operations	$0.43	$0.15
Discontinued operations	—	0.09
Total	$0.43	$0.24
Weighted average shares outstanding:		
Basic	102,333	100,451
Diluted	102,627	101,360
Cash dividends on shares:		
Amount	$—	$7,047
Per share	$—	$0.07

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 (LOSS)
(In thousands)

	Three Months Ended March 31,	
	2018	2017
	(Unaudited)	
Net income	$44,658	$51,905
Other comprehensive income (loss), net of tax:		
Change in cumulative translation adjustment	15,866	24,410
Change in unrealized fair value of cash flow hedges	(72)	353
Change in unrecognized prior service pension credits/costs	(52)	(76)
Change in unrecognized actuarial pension gains/losses	(3,918)	(1,433)
Other comprehensive income from discontinued operations - change in cumulative translation adjustment	—	495
Comprehensive income	56,482	75,654
Net income attributable to noncontrolling interests ($0 and $413 related to discontinued operations)	(764)	(27,250)
Change in cumulative translation adjustment attributable to noncontrolling interests	416	(970)
Comprehensive income attributable to CB&I	$56,134	$47,434

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)

	March 31, 2018 (Unaudited)	December 31, 2017
Assets		
Cash and cash equivalents ($113,128 and $165,771 related to variable interest entities ("VIEs"))	$305,229	$354,639
Accounts receivable, net ($24,773 and $42,288 related to VIEs)	766,123	759,701
Inventory	112,978	101,573
Costs and estimated earnings in excess of billings ($183,988 and $42,997 related to VIEs)	392,589	315,744
Assets held for sale	18,300	17,845
Other current assets ($103,456 and $163,810 related to VIEs)	224,833	281,171
Total current assets	1,820,052	1,830,673
Equity investments	209,565	206,118
Property and equipment, net	415,665	418,531
Goodwill	2,838,836	2,836,582
Other intangibles, net	190,476	196,473
Other non-current assets ($128,541 and $74,067 related to VIEs)	545,979	483,205
Total assets	$6,020,573	$5,971,582
Liabilities		
Revolving facility and other short-term borrowings	$1,388,151	$1,102,151
Current maturities of long-term debt, net	1,145,358	1,160,291
Accounts payable ($382,616 and $348,872 related to VIEs)	950,075	971,735
Billings in excess of costs and estimated earnings ($48,970 and $130,484 related to VIEs)	1,155,780	1,275,441
Other current liabilities	618,210	752,294
Total current liabilities	5,257,574	5,261,912
Deferred income taxes	56,028	63,771
Other non-current liabilities	424,483	427,535
Total liabilities	5,738,085	5,753,218
Shareholders’ Equity		
Common stock, Euro .01 par value; shares authorized: 250,000; shares issued: 108,857 and 108,857; shares outstanding: 102,547 and 101,705	1,288	1,288
Additional paid-in capital	715,932	743,128
Retained deficit	(57,802)	(101,696)
Treasury stock, at cost: 6,310 and 7,152 shares	(216,804)	(254,642)
Accumulated other comprehensive loss	(304,268)	(316,508)
Total CB&I shareholders’ equity	138,346	71,570
Noncontrolling interests	144,142	146,794
Total shareholders’ equity	282,488	218,364
Total liabilities and shareholders’ equity	$6,020,573	$5,971,582

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)

	Three Months Ended March 31,	
	2018	2017
	(Unaudited)	
Cash Flows from Operating Activities		
Net income	$44,658	$51,905
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	18,738	26,264
Amortization of debt issuance costs	7,929	1,469
Deferred income taxes	(2,602)	15,101
Stock-based compensation expense	9,137	10,247
Other operating income, net	(1,314)	(77)
Unrealized loss on foreign currency hedges	5,432	1,380
Changes in operating assets and liabilities:		
Increase in receivables, net	(6,422)	(217,122)
Change in contracts in progress, net	(196,506)	(6,057)
Increase in inventory	(11,405)	(12,346)
Decrease in accounts payable	(21,660)	(95,117)
(Increase) decrease in other current and non-current assets	(57,659)	12,062
Decrease in other current and non-current liabilities	(23,951)	(78,037)
(Increase) decrease in equity investments	(3,444)	953
Change in other, net	(1,242)	(1,307)
Net cash used in operating activities	(240,311)	(290,682)
Cash Flows from Investing Activities		
Capital expenditures	(8,099)	(12,274)
Advances with partners of proportionately consolidated ventures, net	52,015	(23,788)
Proceeds from sale of property and equipment	742	1,108
Other, net	(25,844)	(8,342)
Net cash provided by (used in) investing activities	18,814	(43,296)
Cash Flows from Financing Activities		
Revolving facility and other short-term borrowings, net	286,000	510,000
Advances with equity method and proportionately consolidated ventures and partners, net	(98,317)	47,099
Repayments on long-term debt	(18,750)	(300,000)
Purchase of treasury stock	(3,207)	(7,359)
Issuance of stock	4,120	3,877
Dividends paid	—	(7,047)
Distributions to noncontrolling interests	(3,000)	(18,985)
Capitalized debt issuance costs	(2,415)	—
Net cash provided by financing activities	164,431	227,585
Effect of exchange rate changes on cash and cash equivalents	7,656	21,316
Decrease in cash and cash equivalents	(49,410)	(85,077)
Cash and cash equivalents, beginning of period	354,639	505,156
Cash and cash equivalents, end of period	305,229	420,079
Cash and cash equivalents, end of period - discontinued operations	—	(17,782)
Cash and cash equivalents, end of period - continuing operations	$305,229	$402,297

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

6

Table of Contents

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

	Three Months Ended March 31, 2018								
	Common Stock				Treasury Stock		Accumulated		
	Shares	Amount	Additional Paid-In Capital	Retained Deficit	Shares	Amount	Other Comprehensive (Loss) Income	Non - controlling Interests	Total Shareholders' Equity
	(Unaudited)								
Balance at December 31, 2017	101,705	$1,288	$743,128	$(101,696)	7,152	$(254,642)	$(316,508)	$146,794	$218,364
Net income	—	—	—	43,894	—	—	—	764	44,658
Change in cumulative translation adjustment, net	—	—	—	—	—	—	16,282	(416)	15,866
Change in unrealized fair value of cash flow hedges, net	—	—	—	—	—	—	(72)	—	(72)
Change in unrecognized prior service pension credits/costs, net	—	—	—	—	—	—	(52)	—	(52)
Change in unrecognized actuarial pension gains/losses, net	—	—	—	—	—	—	(3,918)	—	(3,918)
Distributions to noncontrolling interests	—	—	—	—	—	—	—	(3,000)	(3,000)
Stock-based compensation expense	—	—	9,137	—	—	—	—	—	9,137
Liability-based compensation fair value adjustment	—	—	592	—	—	—	—	—	592
Purchase of treasury stock	(181)	—	—	—	181	(3,207)	—	—	(3,207)
Issuance of stock	1,023	—	(36,925)	—	(1,023)	41,045	—	—	4,120
Balance at March 31, 2018	102,547	$1,288	$715,932	$(57,802)	6,310	$(216,804)	$(304,268)	$144,142	$282,488

	Three Months Ended March 31, 2017								
	Common Stock		Additional		Treasury Stock		Accumulated	Non -	Total

	Shares	Amount	Paid-In Capital	Retained Earnings	Shares	Amount	Other Comprehensive (Loss) Income	controlling Interests	Shareholders' Equity
	(Unaudited)								
Balance at December 31, 2016	100,113	$1,288	$782,130	$1,370,606	8,744	$(344,870)	$(395,616)	$147,799	$1,561,337
Net income	—	—	—	24,655	—	—	—	27,250	51,905
Change in cumulative translation adjustment, net	—	—	—	—	—	—	23,935	970	24,905
Change in unrealized fair value of cash flow hedges, net	—	—	—	—	—	—	353	—	353
Change in unrecognized prior service pension credits/costs, net	—	—	—	—	—	—	(76)	—	(76)
Change in unrecognized actuarial pension gains/losses, net	—	—	—	—	—	—	(1,433)	—	(1,433)
Distributions to noncontrolling interests	—	—	—	—	—	—	—	(18,985)	(18,985)
Dividends paid ($0.07 per share)	—	—	—	(7,047)	—	—	—	—	(7,047)
Stock-based compensation expense	—	—	10,247	—	—	—	—	—	10,247
Purchase of treasury stock	(219)	—	—	—	219	(7,359)	—	—	(7,359)
Issuance of stock	808	—	(35,219)	—	(808)	39,124	—	—	3,905
Balance at March 31, 2017	100,702	$1,288	$757,158	$1,388,214	8,155	$(313,105)	$(372,837)	$157,034	$1,617,752

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
March 31, 2018
($ and share values in thousands, except per share data)
(Unaudited)

1. ORGANIZATION AND NATURE OF OPERATIONS

Organization and Nature of Operations—Founded in 1889, Chicago Bridge & Iron Company N.V. ("CB&I", "we", "our", "us" or the "Company") provides a wide range of services, including conceptual design, technology, engineering, procurement, fabrication, modularization, construction and commissioning services to customers in the energy infrastructure market throughout the world. Our business is aligned into three operating groups, which represent our reportable segments: Engineering & Construction; Fabrication Services; and Technology. During the first quarter 2018, we realigned our Fabrication Services operating group and Technology operating group to reflect the present management oversight of our operations. See Note 2 and Note 5 for discussion of our discontinued operations and Note 17 for further discussion of our reportable segments and related financial information.

2. SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Presentation—We believe these Financial Statements include all adjustments, which are of a normal recurring nature, necessary for a fair presentation of our results of operations for the three months ended March 31, 2018 and 2017, our financial position as of March 31, 2018 and our cash flows for the three months ended March 31, 2018 and 2017. The December 31, 2017 Condensed Consolidated Balance Sheet (the "Balance Sheet(s)") was derived from our December 31, 2017 audited Consolidated Balance Sheet.

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 2017 Annual Report.

McDermott/CB&I Combination—On December 18, 2017, we entered into an agreement (the "Combination Agreement") to combine with McDermott International, Inc. ("McDermott") in an all-stock transaction whereby McDermott stockholders will own approximately 53% of the combined company and our shareholders will own approximately 47% (the "Combination"). Under the terms of the Combination Agreement, our shareholders would be entitled to receive 2.47221 shares of McDermott common stock for each share of our common stock (or 0.82407 shares if McDermott effects a planned three-to-one reverse stock split prior to closing), together with cash in lieu of fractional shares and subject to any applicable withholding taxes. A meeting of our shareholders and a meeting of McDermott stockholders to vote on their respective Combination-related proposals have each been scheduled for May 2, 2018. The Combination is anticipated to close in the second quarter 2018, subject to receipt of approval of our shareholders and McDermott stockholders, and satisfaction of other customary closing conditions.

Discontinued Operations—On June 30, 2017, we completed the sale of our "Capital Services Operations" (primarily comprised of our former Capital Services reportable segment) to CSVC Acquisition Corp ("CSVC"). We considered the Capital Services Operations to be a discontinued operation, and accordingly, its operating results for the three months ended March 31, 2017 are classified as a discontinued operation within our Condensed Consolidated Statements of Operations (the "Statement(s) of Operations"). Cash flows of the Capital Services Operations for the three months ended March 31, 2017 are not reported separately within our Condensed Consolidated Statements of Cash Flows (the

“Statement(s) of Cash Flows”). Unless otherwise noted, the values presented throughout the notes to our Financial Statements relate to our continuing operations. See Note 5 for further discussion of our discontinued operations.

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 (i) revenue recognition for our contracts, including estimating costs to complete each contract and the recognition of incentive fees and unapproved change orders and claims; (ii) fair value and recoverability assessments that must be periodically performed with respect to long-lived tangible assets, goodwill and other intangible assets; (iii) valuation of deferred tax assets and financial instruments; (iv) the determination of liabilities related to self-insurance programs and income taxes; and (v) 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 Financial Statements.

Other Operating (Income) Expense, Net—Other operating (income) expense, net generally represents (gains) losses associated with the sale or disposition of property and equipment.

Restructuring Related Costs—Restructuring related costs were $5,100 for the three months ended March 31, 2018 and related to professional fees and severance costs, resulting primarily from our publicly announced cost reduction, facility rationalization and strategic initiatives. See Note 9 for further discussion of our restructuring related costs.

Goodwill—Goodwill is not amortized to earnings, but instead is reviewed for impairment at least annually at a reporting unit level, absent any indicators of impairment or when other actions require an impairment assessment (such as a change in reporting units). We perform our annual impairment assessment during the fourth quarter of each year based on balances as of October 1. We identify a potential impairment by comparing the fair value of the applicable reporting unit to its net book value, including goodwill. If the net book value exceeds the fair value of the reporting unit, we measure the impairment by comparing the carrying value of the reporting unit to its fair value. To determine the fair value of our reporting units and test for impairment, we utilize an income approach (discounted cash flow method) as we believe this is the most direct approach to incorporate the specific economic attributes and risk profiles of our reporting units into our valuation model. This is consistent with the methodology used to determine the fair value of our reporting units in previous years. We generally do not utilize a market approach given the lack of relevant information generated by market transactions involving comparable businesses. However, to the extent market indicators of fair value become available, we consider such market indicators in our discounted cash flow analysis and determination of fair value. See Note 7 for further discussion of our goodwill.

Other Long-Lived Assets—We amortize our finite-lived intangible assets on a straight-line basis with lives ranging from 6 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 their respective carrying amounts to determine if an impairment exists. See Note 7 for further discussion of our intangible assets.

Earnings Per Share (“EPS”)—Basic EPS is calculated by dividing net income attributable to CB&I by the weighted average number of common shares outstanding for the period. Diluted EPS reflects the assumed conversion of dilutive securities, consisting of restricted shares, performance based shares (where performance criteria have been met), stock options and directors’ deferred-fee shares. See Note 4 for calculations associated with basic and diluted EPS.

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

Inventory—Inventory is recorded at the lower of cost and net realizable value, and cost is determined using the first-in-first-out or weighted-average cost method. The cost of inventory includes acquisition costs, production or conversion costs, and other costs incurred to bring the inventory to a current location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. An allowance for excess or inactive inventory is recorded based on an analysis that considers current inventory levels, historical usage patterns, estimates of future sales expectations and salvage value. See Note 6 for further discussion of our inventory.

Foreign Currency—The nature of our business activities involves the management of various financial and market risks, including those related to changes in foreign currency exchange rates. The effects of translating financial statements of foreign operations into our reporting currency are recognized as a cumulative translation adjustment in accumulated other comprehensive income (loss) ("AOCI"), which is net of tax, where applicable. Foreign currency transactional and re-measurement exchange gains (losses) are included within cost of revenue and were not material for the three months ended March 31, 2018 and 2017.

Financial Instruments—We do not engage in currency speculation; however, we utilize foreign currency exchange rate derivatives on an ongoing basis to hedge against certain foreign currency related operating exposures. We generally seek hedge accounting treatment for contracts used to hedge operating exposures and designate them as cash flow hedges. Therefore, gains and losses, exclusive of credit risk and forward points (which represent the time value component of the fair value of our derivative positions), are included in AOCI until the associated underlying operating exposure impacts our earnings. Changes in the fair value of (i) credit risk and forward points, (ii) instruments deemed ineffective during the period, and (iii) instruments that we do not designate as cash flow hedges are recognized within cost of revenue.

For those contracts designated as cash flow hedges, we document all relationships between the derivative instruments and associated hedged items, as well as our risk-management objectives and strategy for undertaking hedge transactions. This process includes linking all derivatives to specific firm commitments or highly-probable forecasted transactions. We continually assess, at inception and on an ongoing basis, the effectiveness of derivative instruments in offsetting changes in the cash flow of the designated hedged items. Hedge accounting designation is discontinued when (i) 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, (ii) the derivative is sold, terminated, exercised, or expires, (iii) it is no longer probable that the forecasted transaction will occur, or (iv) we determine that designating the derivative as a hedging instrument is no longer appropriate. See Note 11 for further 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 (“VA”) is provided to offset any net deferred tax assets (“DTA(s)”) if, based on the available evidence, it is more likely than not that some or all of the DTAs will not be realized. The realization of our net DTAs depends upon our ability to generate sufficient future taxable income of the appropriate character and in the appropriate jurisdictions. At March 31, 2018 and December 31, 2017, we had a VA against our U.S. net operating loss DTAs, and our remaining U.S. and non-U.S. net DTAs, as we do not believe it is more likely than not that we will utilize our net DTAs. See our 2017 Form 10-K for further discussion of our VA assessments.

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

Partnering Arrangements—In the ordinary course of business, we execute specific projects and conduct certain operations through joint venture, consortium and other collaborative arrangements (collectively referred to as “venture(s)”). We have various ownership interests in these ventures, with such ownership typically proportionate to our decision making and distribution rights. The ventures generally contract directly with the third party customer; however, services may be performed directly by the ventures, or may be performed by us, our partners, or a combination thereof.

Venture net assets consist primarily of working capital and property and equipment, and assets may be restricted from being used to fund obligations outside of the venture. These ventures typically have limited third party debt or have debt that is non-recourse in nature. However, they may provide for capital calls to fund operations or require participants in the venture to provide additional financial support, including advance payment or retention letters of credit.

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

If at any time a venture qualifies as a VIE, we perform a qualitative assessment to determine whether we are the primary beneficiary of the VIE and, therefore, need to consolidate the VIE. We are the primary beneficiary if we have (i) the power to direct the economically significant activities of the VIE and (ii) 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 determine that we are not 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 either (i) proportionate consolidation for both the Balance Sheet and Statement of Operations, when we meet the applicable accounting criteria to do so, or (ii) utilize the equity method. See Note 8 for further discussion of our material partnering arrangements.

New Revenue Recognition Standard—In May 2014, the FASB issued ASU 2014-09, which provides a single comprehensive accounting standard for revenue recognition for contracts with customers and supersedes current industry-specific guidance, including ASC 605-35. The new standard requires companies to recognize revenue when control of promised goods or services is transferred to customers at an amount that reflects the consideration to which the company expects to be entitled in exchange for the goods or services. The new model requires companies to identify contractual performance obligations and determine whether revenue should be recognized at a point in time or over time for each of these obligations. The new standard also significantly expands disclosure requirements regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

We adopted the new standard on January 1, 2018 ("Adoption Date"), using the modified retrospective method, which provides for a cumulative effect adjustment to beginning 2018 retained earnings for those uncompleted contracts impacted by the adoption of the new standard. The changes to the method and/or timing of our revenue recognition associated with our adoption of the new standard primarily relate to our third party pipe and steel fabrication and "non-generic" catalyst manufacturing contracts, which were previously recognized at a point in time upon shipment; however, under the new standard revenue is recognized over time utilizing the cost to cost measure of progress. In addition, we combined certain contracts that historically had been accounted for as separate contracts. Due to the low level of backlog at December 31, 2017 for our contracts impacted by the new standard, no adjustment to beginning 2018 retained earnings resulted from adoption of the new standard.

Further, the difference in our results for the first quarter 2018 between application of the new standard on our contracts and what results would have been if such contracts had been reported using the accounting standards previously in effect for such contracts, was not material. Consistent with our adoption method, the comparative prior period information for 2017 has not been recast and continues to be reported using the previous accounting standards in effect for the period presented. Additionally, we have elected to utilize the modified retrospective transition practical expedient that allows us to evaluate the impact of contract modifications as of the Adoption Date rather than evaluating the impact of the modifications at the time they occurred prior to the Adoption Date. There was no material effect associated with the election of this practical expedient.

See Note 3 for additional discussion of our revenue recognition accounting policies and expanded disclosures required by the new standard.

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

In December 2017, the SEC issued Staff Accounting Bulletin ("SAB") 118 to address the application of U.S. GAAP in situations in which a registrant does not have the necessary information available, prepared, or analyzed (including computations) in reasonable detail to complete the accounting for certain income tax effects of the Tax Cuts and Jobs Act (the "Tax Reform Act") which was signed into law on December 22, 2017. In March 2018, the FASB issued ASU 2018-05, which amended ASC 740 to incorporate the requirements of SAB 118. We recognized the provisional tax impacts of the Tax Reform Act in the fourth quarter 2017. During first quarter 2018, we did not receive any additional information regarding these provisional calculations. As a result, we continue to anticipate finalizing our analysis in connection with the completion of our tax return for 2017 to be filed in 2018.

In January 2018, the FASB issued ASU 2018-02, which gives entities the option to reclassify to retained earnings the tax effects resulting from the Tax Reform Act related to items in AOCI that the FASB refers to as having been stranded in AOCI. The standard may be applied retrospectively to each period in the year of adoption. The standard will also require new disclosures regarding our accounting policy for releasing the tax effects in AOCI. The standard is effective for us in the first quarter 2019, although early adoption is permitted. We are assessing the timing of adoption of the new standard and its potential impact on our Financial Statements.

3. REVENUE RECOGNITION

Contracts—Our revenue is primarily derived from long-term contracts with customers and we determine the appropriate accounting treatment for each contract at contract inception. Our contracts primarily relate to engineering, procurement and construction ("EPC") services; engineering services; construction services; pipe and steel fabrication services; engineered and manufactured products; technology licensing; and catalyst supply. An EPC contract may also include technology licensing or fabrication services and our services may be provided between, or amongst, our reportable segments.

Our contracts are awarded on a competitively bid and negotiated basis and the timing of revenue recognition may be impacted by the terms of such contracts. We use a range of contracting options, including cost-reimbursable, fixed-price and hybrid, which has both cost-reimbursable and fixed-price characteristics. Fixed-price contracts, and hybrid contracts with a more significant fixed-price component, tend to provide us with greater control over project schedule and the timing of when work is performed and costs are incurred, and accordingly, when revenue is recognized. Cost-reimbursable contracts, and hybrid contracts with a more significant cost-reimbursable component, generally provide our customers with greater influence over the timing of when we perform our work, and accordingly, such contracts often result in less predictability with respect to the timing of revenue recognition.

Performance Obligations—A performance obligation is a promise in a contract to transfer a distinct good or service to the customer, and is the unit of account in ASC Topic 606. The transaction price of a contract is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. To the extent a contract is deemed to have multiple performance obligations, we allocate the transaction price of the contract to each performance obligation using our best estimate of the standalone selling price of each distinct good or service in the contract. In addition, certain contracts may be combined and deemed to be a single performance obligation. Our EPC contracts are generally deemed to be single performance obligations and our contracts with multiple performance obligations were not material as of March 31, 2018.

- Performance Obligations Satisfied Over Time—Revenue for our contracts that satisfy the criteria for over time recognition is recognized as the work progresses. Revenue for contracts recognized over time include our EPC services; engineering services; construction services; pipe and steel fabrication services; engineered and manufactured products; technology licensing; and "non-generic" catalyst supply. We measure transfer of control of the performance obligation utilizing the cost-to-cost measure of progress, with cost of revenue including direct costs, such as materials and labor, and indirect costs that are attributable to contract activity. Under the cost-to-cost approach, the use of estimated costs to complete each performance obligation is a significant variable in the process of determining recognized revenue and is a significant factor in the accounting for such performance obligations. Significant estimates that impact the cost to complete each performance obligation are: costs of engineering, materials, components, equipment, labor and subcontracts; labor productivity; schedule durations, including subcontractor or supplier progress; 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 performance obligations in progress. Due to the various estimates inherent in our contract accounting, actual results could differ from those estimates, which could result in material changes to our Financial Statements and related disclosures. For the three months ended March 31, 2018, approximately $1,701,200 of our revenue was subject to over time revenue recognition.
- Performance Obligations Satisfied at a Point in Time—Revenue for our contracts that do not satisfy the criteria for over time recognition is recognized at a point in time. Revenue for contracts recognized at a point in time include our "generic" catalyst supply and certain manufactured products (which are recognized upon shipment) and certain non-engineering and non-construction services (which are recognized when the services are performed). For the three months ended March 31, 2018, approximately $44,400 of our revenue was subject to point in time revenue recognition.

Precontract costs are generally charged to cost of revenue as incurred, but in certain cases their recognition may be deferred if specific probability criteria are met. We had no significant deferred precontract costs at March 31, 2018.
Variable Consideration—Transaction price for our contracts may include variable consideration, which includes increases to transaction price for approved and unapproved change orders, claims and incentives, and reductions to transaction price for liquidated damages. Change orders, claims and incentives are generally not distinct from the existing contract due to the significant integration service provided in the context of the contract and are accounted for as a modification of the existing contract and performance obligation. We estimate variable consideration for a performance obligation at the most likely amount to which we expect to be entitled (or the most likely amount we expect to incur in the case of liquidated damages), utilizing estimation methods that best predict the amount of consideration to which we will be entitled (or will be incurred in the case of

liquidated damages). We include variable consideration in the estimated transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur or when the uncertainty associated with the variable consideration is resolved. Our estimates of variable consideration and determination of whether to include estimated amounts in transaction price are based largely on an assessment of our anticipated performance and all information (historical, current and forecasted) that is reasonably available to us. The effect of variable consideration on the transaction price of a performance obligation is recognized as an adjustment to revenue on a cumulative catch-up basis. To the extent unapproved change orders and claims reflected in transaction price (or excluded from transaction price in the case of liquidated damages) are not resolved in our favor, or to the extent incentives reflected in transaction price are not earned, there could be reductions in, or reversals of, previously recognized revenue. See Note 16 for further discussion of our recorded unapproved change orders, claims and incentives.

Accounts Receivable and Contract Balances—The timing of when we bill our customers is generally dependent upon advance billing terms, milestone billings based on the completion of certain phases of the work, or when services are provided or products are shipped. Projects with performance obligations recognized over time that have costs and estimated earnings recognized to date in excess of cumulative billings, are reported on our Balance Sheets as costs and estimated earnings in excess of billings (i.e. contract assets). Projects with performance obligations recognized over time that have cumulative billings in excess of costs and estimated earnings recognized to date, are reported on our Balance Sheets as billings in excess of costs and estimated earnings (i.e. contract liabilities). The net balances on our Balance Sheets are collectively referred to as Contracts in Progress, net, and the components of these balances at March 31, 2018 and December 31, 2017 were as follows:

	March 31, 2018		December 31, 2017 [1]	
	Asset	Liability	Asset	Liability
Costs and estimated earnings on contracts in progress	$7,237,037	$28,001,671	$7,267,316	$26,901,501
Billings on contracts in progress	(6,844,448)	(29,157,451)	(6,951,572)	(28,176,942)
Contracts in progress, net	$392,589	$(1,155,780)	$315,744	$(1,275,441)

[1] Balances as of December 31, 2017 have not been recast for the impact of the adoption of the new standard.

During the three months ended March 31, 2018, we recognized revenue of approximately $688,100 that was included in the corresponding Contracts in Progress liability balance at December 31, 2017.

Any uncollected billed amounts for our performance obligations recognized over time, including contract retentions, are recorded within accounts receivable. At March 31, 2018 and December 31, 2017, accounts receivable included contract retentions of approximately $70,000 and $61,500, respectively. Contract retentions due beyond one year were approximately $21,900 and $19,000 at March 31, 2018 and December 31, 2017, respectively. Any uncollected billed amounts and unbilled receivables for our performance obligations recognized at a point in time are recorded within accounts receivable and were approximately $6,900 and $6,000 at March 31, 2018 and December 31, 2017, respectively.

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 March 31, 2018 and December 31, 2017, our allowances for doubtful accounts were not material.

Backlog—Our remaining performance obligations (hereafter referred to as “backlog”) represent the unrecognized revenue value of our contract commitments. New awards represent the total expected revenue value of new contract commitments received during a given period, as well as scope growth on existing contract commitments. New awards and backlog include the entire award values for joint ventures we consolidate and our proportionate share of award values for joint ventures we proportionately consolidate. As the net results for our equity method joint ventures are recognized as equity earnings, their revenue is not presented in our Statements of Operations, and accordingly, are excluded from our new awards and backlog. Our new awards may vary significantly each reporting period based on the timing of our major new contract commitments and our backlog may fluctuate with currency movements. At March 31, 2018, we had backlog of $9,369,000 (excluding approximately $1,131,500 for our unconsolidated equity method joint ventures). Approximately 50%, 35%, and 15% of our March 31, 2018 backlog is anticipated to be recognized as revenue in 2018, 2019, and thereafter, respectively

Effect of Adopting ASC Topic 606—As discussed in Note 2, no adjustment to beginning 2018 retained earnings was recorded as a result of our adoption of ASC 606 due to changes in the methods and/or timing of our revenue recognition for our uncompleted contracts. Further, the difference in our results for the first quarter 2018 between application of the new standard on our contracts and what results would have been if such contracts had been reported using the accounting standards previously in effect for such contracts, was not material.

Table of Contents

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

Disaggregation of Revenue—The following table represents the disaggregation of our revenue by end-market (or "product line") for the three months ended March 31, 2018 and 2017:

	Three Months Ended March 31,	
	2018	2017
LNG (including low temp and cryogenic)	$674,848	$992,152
Petrochemical	538,364	376,419
Power	315,696	184,496
Refining	138,144	124,646
Gas processing	33,595	71,099
Other	44,972	78,540
Total revenue	$1,745,619	$1,827,352

Changes in Project Estimates—See Note 16 for further discussion of our unapproved change orders, claims, incentives and other project matters, including impacts from changes in project estimates.

4. 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 March 31,	
	2018	2017
Net income from continuing operations attributable to CB&I (net of $764 and $26,837 of noncontrolling interests)	$43,894	$15,574
Net income from discontinued operations attributable to CB&I (net of $0 and $413 of noncontrolling interests)	—	9,081
Net income attributable to CB&I	$43,894	$24,655
Weighted average shares outstanding—basic	102,333	100,451
Effect of restricted shares/performance based shares/stock options [1]	275	892
Effect of directors' deferred-fee shares[1]	19	17
Weighted average shares outstanding—diluted	102,627	101,360
Net income attributable to CB&I per share (Basic):		
Continuing operations	$0.43	$0.16
Discontinued operations	—	0.09
Total	$0.43	$0.25
Net income attributable to CB&I per share (Diluted):		
Continuing operations	$0.43	$0.15
Discontinued operations	—	0.09
Total	$0.43	$0.24

(1) Antidilutive shares excluded from diluted EPS were not material for the three months ended March 31, 2018 and 2017.

5. DISCONTINUED OPERATIONS

As discussed in Note 2, on June 30, 2017 we completed the sale of our Capital Services Operations to CSVC. Our Capital Services Operations provided comprehensive and integrated maintenance services, environmental engineering and remediation, construction services, program management, and disaster response and recovery services for private-sector customers and governments. We considered the Capital Services Operations to be a discontinued operation, and accordingly, its operating results for the three months ended March 31, 2017 are classified as a discontinued operation within our Statements of Operations. Cash flows of the Capital Services Operations for the three months ended March 31, 2017 are not reported separately within our Statements of Cash Flows. During the three months ended March 31, 2018, we paid approximately $24,600 to CSVC associated with the finalization of working capital adjustments required by the purchase agreement. The anticipated working capital payment was accrued on the closing date and included in our Balance Sheet as of December 31, 2017, and accordingly, there was no impact on our operating results due to the payment.

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

Results of Operations—The results of our Capital Services Operations, which have been reflected within discontinued operations in our Statement of Operations for the three months ended March 31, 2017, were as follows:

	Three Months Ended March 31, 2017
Revenue	$552,947
Cost of revenue	518,687
Gross profit	34,260
Selling and administrative expense	13,038
Intangibles amortization	2,550
Other operating income	(372)
Income from operations	19,044
Interest expense [1]	(6,863)
Interest income	9
Income from operations before taxes	12,190
Income tax expense	(2,696)
Net income from discontinued operations	9,494
Net income from discontinued operations attributable to noncontrolling interests	(413)
Net income from discontinued operations attributable to CB&I	$9,081

(1) Interest expense, including amortization of capitalized debt issuance costs, was allocated to the Capital Services Operations due to a requirement to use the proceeds from the transaction to repay our debt. The allocation of interest expense was based on the anticipated debt amounts to be repaid.

Cash Flows—Cash flows for our Capital Services Operations for the three months ended March 31, 2017 were as follows:

	Three Months Ended March 31, 2017
Operating cash flows	$(17,544)
Investing cash flows	$(844)

6. INVENTORY

The components of inventory at March 31, 2018 and December 31, 2017 were as follows:

	March 31, 2018	December 31, 2017
Raw materials	$57,626	$ 55,275
Work in process	22,233	15,652
Finished goods	33,119	30,646
Total	$112,978	$ 101,573

7. GOODWILL AND OTHER INTANGIBLES

Goodwill

At March 31, 2018 and December 31, 2017, our goodwill balances were $2,838,836 and $2,836,582, respectively, attributable to the excess of the purchase price over the fair value of net assets acquired in connection with our acquisitions. The change in goodwill for the three months ended March 31, 2018 is as follows:

Total

Balance at December 31, 2017	$2,836,582
Amortization of tax goodwill in excess of book goodwill	(3,971)
Foreign currency translation and other	6,225
Balance at March 31, 2018 [(1)]	$2,838,836

Table of Contents

Chicago Bridge & Iron Company N.V.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(1) At March 31, 2018, we had approximately $453,100 of cumulative impairment losses which were recorded in our Engineering & Construction operating group during 2015 related to the sale of our nuclear power construction business (our "Nuclear Operations") on December 31, 2015.

As discussed further in Note 2, goodwill is not amortized to earnings, but instead is reviewed for impairment at least annually at a reporting unit level, absent any indicators of impairment or when other actions require an impairment assessment (such as a change in reporting units). We perform our annual impairment assessment during the fourth quarter of each year based on balances as of October 1.

Reporting Units—At December 31, 2017, we had the following four reporting units within our three operating groups:

- Engineering & Construction—Our Engineering & Construction operating group represented a reporting unit.
- Fabrication Services—Our Fabrication Services operating group included two reporting units: Engineered Products and Fabrication Services (excluding Engineered Products).
- Technology—Our Technology operating group represented a reporting unit.

During the first quarter 2018, we realigned our Fabrication Services and Technology operating groups to reflect the present management oversight of our operations. Our "Engineered Products Operations", which was previously reported within our Fabrication Services operating group, is now reported within our Technology operating group. In connection therewith, our Engineered Products reporting unit, which was previously a reporting unit with our Fabrication Services operating group, became a reporting unit within our Technology operating group. Accordingly, at March 31, 2018, we had the following four reporting units within our three operating groups:

- Engineering & Construction—Our Engineering & Construction operating group represented a reporting unit.
- Fabrication Services—Our Fabrication Services operating group represented a reporting unit.
- Technology—Our Technology operating group included two reporting units: Engineered Products and Technology (excluding Engineered Products).

Impairment Assessment—During the fourth quarter 2017, we performed a quantitative assessment of goodwill for the aforementioned reporting units. Based on these quantitative assessments, the fair value of each of the reporting units substantially exceeded (in excess of 50%) their respective net book values, and accordingly, no impairment charge was necessary as a result of our impairment assessments. Further, during the first quarter 2018, no indicators of impairment were identified for any of our reporting units. In addition, no impairment assessments were required in connection with the realignment of our operating groups because the Engineered Products reporting unit represented a separate reporting unit before and after the realignment.

Other Intangible Assets

The following table presents our acquired finite-lived intangible assets at March 31, 2018 and December 31, 2017, including the March 31, 2018 weighted-average useful lives for each major intangible asset class and in total:

		March 31, 2018		December 31, 2017	
	Weighted Average Life	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Backlog and customer relationships	18 Years	$99,086	$(28,297)	$99,086	$(26,912)
Process technologies	15 Years	267,520	(156,773)	265,742	(151,174)
Tradenames	12 Years	27,561	(18,621)	27,479	(17,748)
Total [(1)]	16 Years	$394,167	$(203,691)	$392,307	$(195,834)

(1) The decrease in other intangibles, net during the three months ended March 31, 2018 primarily related to amortization expense of approximately $6,600.

8. PARTNERING ARRANGEMENTS

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

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

- CB&I/Zachry—We have a venture with Zachry (CB&I—50% / Zachry—50%) to perform EPC work for two liquefied natural gas ("LNG") liquefaction trains in Freeport, Texas. Our proportionate share of the venture project value is approximately $2,700,000. In addition, we have subcontract and risk sharing arrangements with Chiyoda to support our responsibilities to the venture. The costs of these arrangements are recorded in cost of revenue.
- CB&I/Zachry/Chiyoda—We have a venture with Zachry and Chiyoda (CB&I—33.3% / Zachry—33.3% / Chiyoda—33.3%) to perform EPC work for an additional LNG liquefaction train at the aforementioned project site in Freeport, Texas. Our proportionate share of the venture project value is approximately $675,000.
- CB&I/Chiyoda—We have a venture with Chiyoda (CB&I—50% / Chiyoda—50%) to perform EPC work for three LNG liquefaction trains in Hackberry, Louisiana. Our proportionate share of the venture project value is approximately $3,300,000.

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

	March 31, 2018	December 31, 2017
CB&I/Zachry		
Current assets [(1)]	$ 157,950	$ 140,900
Non-current assets	427	1,096
Total assets	$ 158,377	$ 141,996
Current liabilities	$ 150,538	$ 171,953
CB&I/Zachry/Chiyoda		
Current assets [(1)]	$ 102,379	$ 98,680
Non-current assets	923	1,129
Total assets	$ 103,302	$ 99,809
Current liabilities	$ 41,002	$ 68,556
CB&I/Chiyoda		
Current assets [(1)]	$ 108,998	$ 92,767
Current liabilities	$ 178,342	$ 150,126

(1) Our venture arrangements allow for excess working capital of the ventures to be advanced to the venture partners. Such advances are returned to the ventures for working capital needs as necessary. Accordingly, at a reporting period end a venture may have advances to its partners which are reflected as an advance receivable within current assets of the venture. At March 31, 2018 and December 31, 2017, other current assets of our ventures on the Balance Sheets included approximately $80,600 and $138,900, respectively, related to our proportionate share of advances from the ventures to our venture partners.

At March 31, 2018 and December 31, 2017, other current liabilities on the Balance Sheets included approximately $79,000 and $138,600, respectively, related to advances to CB&I from the ventures.

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

- CLG—We have a venture with Chevron (CB&I—50% / Chevron—50%) which provides proprietary process technology licenses and associated engineering services and catalyst, primarily for the refining industry. As sufficient capital investments in CLG have been made by the venture partners, it does not qualify as a VIE.

17

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

- NET Power—We have a venture with Exelon and 8 Rivers Capital (CB&I—33.3% / Exelon—33.3% / 8 Rivers Capital—33.3%) to commercialize a new natural gas power generation system that recovers the carbon dioxide produced during combustion. NET Power is building a first-of-its-kind demonstration plant which is being funded by contributions and services from the venture partners and other parties. We have determined the venture to be a VIE; however, we do not effectively control NET Power and therefore do not consolidate it. Our cash commitment for NET Power totals $57,300, and at March 31, 2018, we had made cumulative investments totaling approximately $47,300.
- CB&I/CTCI—We have a venture with CTCI (CB&I—50% / CTCI—50%) to perform EPC work for a liquids ethylene cracker and associated units in Sohar, Oman. We have determined the venture to be a VIE; however, we do not effectively control the venture and therefore do not consolidate it. Our proportionate share of the venture project value is approximately $1,400,000. Our venture arrangement allows for excess working capital of the venture to be advanced to the venture partners. Such advances are returned to the venture for working capital needs as necessary. At March 31, 2018 and December 31, 2017, other current liabilities included approximately $95,000 and $173,600, respectively, related to advances to CB&I from the venture.

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

- CB&I/Kentz—We have a venture with Kentz (CB&I—65% / Kentz—35%) to perform the structural, mechanical, piping, electrical and instrumentation work on, and to provide commissioning support for, three LNG trains, including associated utilities and a gas processing and compression plant, for the Gorgon LNG project, located on Barrow Island, Australia. Our venture project value is approximately $5,900,000 and the project was substantially complete as of December 31, 2017.
- CB&I/Orano (formerly AREVA)—We have a venture with Orano (CB&I—52% / Orano—48%) to design, license and construct a mixed oxide fuel fabrication facility in Aiken, South Carolina. Our venture project value is approximately $6,000,000.

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

	March 31, 2018	December 31, 2017
CB&I/Kentz		
Current assets	$ 24,653	$ 23,061
Non-current assets	69,840	71,023
Total assets	$ 94,493	$ 94,084
Current liabilities	$ 31,373	$ 30,082
CB&I/Orano		
Current assets	$ 10,254	$ 32,621
Non-current assets	56,611	—
Total assets	$ 66,865	$ 32,621
Current liabilities	$ 53,699	$ 57,820
All Other [1]		
Current assets	$ 20,823	$ 26,551
Non-current assets	15,238	15,753
Total assets	$ 36,061	$ 42,304
Current liabilities	$ 6,743	$ 10,404

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

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

9. RESTRUCTURING RELATED COSTS

During the three months ended March 31, 2018, we recognized approximately $5,100 of restructuring related costs associated with professional fees and severance costs, resulting primarily from our publicly announced cost reduction, facility rationalization and strategic initiatives, as described below.

Professional Fees—Professional fees totaled approximately $3,800 for the three months ended March 31, 2018, nearly all of which were paid during the period, and were related to consulting, legal, audit and advisory related services associated with our strategic initiatives, including costs associated with the anticipated Combination. See Note 2 for further discussion of the Combination.

Severance Costs and Employee Related Obligations—Severance costs totaled approximately $1,300 for the three months ended March 31, 2018, nearly all of which were paid during the period. At March 31, 2018 and December 31, 2017, we had a liability of approximately $4,000 and $8,500, respectively, for the unpaid portion of severance costs (as well as incentive plan costs at December 31, 2017) accrued during 2017, which has been reflected within other current liabilities. At March 31, 2018 and December 31, 2017, we also had a liability of approximately $17,000 associated with union employee related obligations accrued during 2017 resulting from facility closures. The union employee related obligations are expected to be paid over an extended period of time and have been reflected within other non-current liabilities.

Facility Consolidation Obligations—At March 31, 2018 and December 31, 2017, we had a facility realignment liability related to reserves recorded during 2017 for future operating lease expense for vacated leased facility capacity where we remain contractually obligated to a lessor. The liability for future lease obligations was reflected within other current and non-current liabilities, as applicable, based upon the anticipated timing of payments. The following table summarizes the changes in the facility consolidation liability during the three months ended March 31, 2018:

	Total
Balance at December 31, 2017	$15,606
Charges	—
Cash payments	(2,101)
Foreign exchange and other	673
Balance at March 31, 2018 [(1)]	$14,178

(1) Cash payments for our existing obligations at March 31, 2018 are anticipated to be approximately $5,200, $2,900, $2,400, $2,000, $1,600 and $100 in 2018, 2019, 2020, 2021, 2022, and thereafter, respectively.

10. DEBT

Our outstanding debt at March 31, 2018 and December 31, 2017 was as follows:

	March 31, 2018	December 31, 2017
Current		
Revolving facilities and other short-term borrowings	$1,388,151	$1,102,151
Current maturities of long-term debt	1,148,469	1,167,219
Less: unamortized debt issuance costs	(3,111)	(6,928)
Current maturities of long-term debt, net of unamortized debt issuance costs	1,145,358	1,160,291
Current debt, net of unamortized debt issuance costs	$2,533,509	$2,262,442
Long-Term		
Second Term Loan: $500,000 term loan (interest at LIBOR plus a floating margin)	$421,996	$440,746
Senior Notes: $800,000 senior notes, series A-D (fixed interest ranging from 7.57% to 9.15%)	584,596	584,596
Second Senior Notes: $200,000 senior notes (fixed interest of 7.53%)	141,877	141,877
Less: current maturities of long-term debt	(1,148,469)	(1,167,219)
Long-term debt, net of unamortized debt issuance costs	$—	$—

Committed Facilities—We have a five-year, $1,150,000 committed revolving credit facility (the “Revolving Facility”) with Bank of America N.A. (“BofA”), as administrative agent, and BNP Paribas Securities Corp., BBVA Compass, Credit Agricole Corporate and Investment Bank (“Credit Agricole”) and TD Securities, each as syndication agents, which expires in October 2018. The Revolving Facility has a $100,000 total letter of credit sublimit. At March 31, 2018, we had $847,402 and $71,891 of outstanding borrowings and letters of credit, respectively, under the facility (including $45 of financial letters of credit), providing $227,101 of available capacity, of which $28,109 was available for letters of credit based on our total letter of credit sublimit.

We also have a five-year, $800,000 committed revolving credit facility (the “Second Revolving Facility”) with BofA, as administrative agent, and BNP Paribas Securities Corp., BBVA Compass, Credit Agricole and Bank of Tokyo Mitsubishi UFJ, each as syndication agents, which expires in July 2020. The Second Revolving Facility has a $100,000 total letter of credit sublimit. At March 31, 2018, we had $540,749 of outstanding borrowings and $99,494 of outstanding letters of credit under the facility (including $2,705 of financial letters of credit), providing $157,129 of available capacity, of which $506 was available for letters of credit based on our total letter of credit sublimit.

Maximum outstanding borrowings under our Revolving Facility and Second Revolving Facility (together, “Committed Facilities”) during the three months ended March 31, 2018, were approximately $1,700,000. We are assessed quarterly commitment fees on the unutilized portion of the facilities as well as letter of credit fees on outstanding letters of credit. Interest on borrowings is assessed at either prime plus 4.00% or LIBOR plus 5.00%. In addition, fees for financial and performance letters of credit are 5.00% and 3.50%, respectively. During the three months ended March 31, 2018, our weighted average interest rate on borrowings under the Revolving Facility and Second Revolving Facility was approximately 6.89% and 8.02%, respectively, inclusive of the applicable floating margin. As a result of the 2017 amendments described below, our debt obligations under the Committed Facilities are required to be repaid in connection with the consummation of the Combination. The Committed Facilities have financial and restrictive covenants described further below.

Uncommitted Facilities—We have various short-term, uncommitted letter of credit facilities (the “Uncommitted Facilities”) across several geographic regions, under which we had $1,599,404 of outstanding letters of credit as of March 31, 2018.

Term Loan—At March 31, 2018, we had $421,996 outstanding under a five-year, $500,000 term loan (the “Term Loan”) with BofA as administrative agent. Interest and principal under the Term Loan is payable quarterly in arrears, and interest is assessed at either prime plus 4.00% or LIBOR plus 5.00%. During the three months ended March 31, 2018, our weighted average interest rate on the Term Loan was approximately 7.10%, inclusive of the applicable floating margin. Future annual maturities for the Term Loan are $56,250, $75,000 and $290,746 for 2018, 2019 and 2020, respectively. As a result of the 2017 amendments described below, our debt obligations under the Term Loan are required to be repaid in connection with the consummation of the Combination. The Term Loan has financial and restrictive covenants described further below.

Senior Notes—We have a series of senior notes totaling $584,596 in aggregate principal amount outstanding as of March 31, 2018 (the “Senior Notes”). The Senior Notes include Series A through D and contained the following terms at March 31, 2018:

- Series A—Interest due semi-annually at a fixed rate of 9.15%, with principal of $104,653 due in August 2018
- Series B—Interest due semi-annually at a fixed rate of 7.57%, with principal of $165,784 due in December 2019
- Series C—Interest due semi-annually at a fixed rate of 8.15%, with principal of $195,219 due in December 2022
- Series D—Interest due semi-annually at a fixed rate of 8.30%, with principal of $118,940 due in December 2024

We also have senior notes totaling $141,877 in aggregate principal amount outstanding as of March 31, 2018 (the “Second Senior Notes”) with BofA as administrative agent. Interest is payable semi-annually at a fixed rate of 7.53%, with principal of $141,877 due in July 2025.

The Senior Notes and Second Senior Notes (together, the “Notes”) also include provisions relating to our credit profile, which if not maintained will result in an incremental annual cost of up to 1.50% of the outstanding balance under the Notes. Further, the Notes include provisions relating to our leverage, which if not maintained, could result in an incremental annual cost of up to 1.00% (depending on our leverage level) of the outstanding balance under the Notes, provided that the incremental annual cost related to our credit profile and leverage cannot exceed 2.00% per annum. Finally, the Notes are subject to a make-whole premium in connection with certain prepayment events. As a result of the 2017 amendments described below, our debt obligations under the Notes are required to be repaid in connection with the consummation of the Combination. The Notes have financial and restrictive covenants described further below.

Compliance—As a result of noncompliance with certain financial covenants during 2017, and in connection with the decision to pursue the Combination, we entered into a series of amendments for our Committed Facilities, Term Loan and Notes (collectively, the “Senior Facilities”) during 2017. The amendments adjusted certain original and amended financial and restrictive covenants, introduced new financial and restrictive covenants, and waived noncompliance with certain covenants and other defaults and events of default. The amendments:

- Require us to secure the Senior Facilities through the pledge of cash, accounts receivable, inventory, fixed assets, certain real property, and stock of subsidiaries, which resulted in substantially all of our assets, subject to customary exceptions, being pledged as collateral for our Senior Facilities.
- Prohibit mergers and acquisitions (other than the Combination), open-market share repurchases and dividend payments and certain inter-company transactions.
- Require us to repay portions of the Senior Facilities with the issuance of any unsecured debt that is subordinate ("Subordinated Debt") to the Senior Facilities, the issuance of any equity securities, or the sale of any assets.
- Provide for required minimum levels of trailing 12-month earnings before interest, taxes, depreciation and amortization ("EBITDA") as follows: $500,000 at March 31, 2018, $500,000 at June 30, 2018, $550,000 at September 30, 2018, and $575,000 at December 31, 2018 and each quarter thereafter. Trailing 12-month EBITDA for purposes of determining compliance with the Minimum EBITDA covenant is adjusted to exclude: an agreed amount attributable to restructuring or integration charges during the third and fourth quarters of 2017 and an agreed amount attributable to charges on certain projects which occurred during 2017 (collectively, the "EBITDA Addbacks").
- Provide for a maximum leverage ratio of 1.75 ("Maximum Leverage Ratio") and a minimum fixed charge ratio of 2.25 ("Minimum Fixed Charge Coverage Ratio"), but waive any noncompliance with the Maximum Leverage Ratio or Minimum Fixed Charge Coverage Ratio beginning on December 18, 2017 and ending on the earlier of (i) June 18, 2018 or (ii) the occurrence of certain Combination termination events (the "Covenant Relief Period"). Trailing 12-month EBITDA for purposes of determining compliance with the Maximum Leverage Ratio and consolidated net income for purposes of determining compliance with the Minimum Fixed Charge Coverage Ratio would be adjusted for the EBITDA Addbacks.
- Extend the maturity of the Series A Senior Notes, from December 27, 2017 to August 31, 2018.
- Requires us to maintain a minimum aggregate availability under our Committed Facilities, including borrowings and letters of credit, of $50,000 during the Covenant Relief Period, and $250,000 thereafter.
- Limit the amount of certain of our funded indebtedness to $2,900,000 less the aggregate amount of all scheduled repayments and mandatory prepayments of such funded indebtedness, but for the duration of the Covenant Relief Period, increase the limit from $3,000,000 to $3,140,000.
- Provide for the: (i) filing of a joint proxy statement/prospectus ("Form S-4") by February 15, 2018, (ii) filing of a solicitation/recommendation statement on Schedule 14D-9 as promptly as reasonably practicable following (but in any event by no later than 10 business days after) the commencement of the exchange offer related to the Combination, and (iii) duly calling and giving notice of a meeting of the Company's shareholders as promptly as reasonably practicable after the Form S-4 is declared effective under the Securities Act of 1933, as amended (but in any event by no later than May 18, 2018) (collectively, the "Combination Milestones"). Each of the Combination Milestones was achieved during the first quarter 2018.
- Provide for completion of the Combination by June 18, 2018 (the "Combination Closing Deadline").
- Provide for the mandatory repayment of the outstanding debt under the Senior Facilities on the day of the closing of the Combination, which in the case of the Notes, is to be at the price of the make-whole amount as modified by the amendments. At March 31, 2018, we had an accrual of approximately $27,700 within accrued liabilities related to the anticipated modified make-whole payment.
- Provide for certain events of default in respect of the Combination, including: (i) termination of documentation related to the Combination, (ii) failure of the applicable proposals related to the Combination to be brought for a vote by the shareholders of the Company or McDermott, (iii) the failure of the shareholders of either McDermott or the Company to approve the applicable proposals related to the Combination at their respective shareholder meetings, subject to a seven day grace period, (iv) the supervisory board of directors of the Company changing its recommendation to the Company's shareholders in respect of the Combination, or (v) the failure of certain financing commitments in respect of the Combination, subject to customary minimum thresholds.

- Provide for certain other information and modified reporting rights, modifications to mandatory prepayment requirements, and consent rights of the holders of the outstanding Notes and administrative agents of the Bank Facilities as more fully set forth in the amendments.

21

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

At March 31, 2018, we were in compliance with our restrictive and financial covenants, with a trailing 12-month EBITDA of $615,000, and aggregate availability under our Committed Facilities of at least $121,000 at all times during the three months ended March 31, 2018. Based on our forecasted EBITDA and cash flows, we project future compliance with our financial covenants through the Combination Closing Deadline. Further, we have successfully achieved the various Combination Milestones required by our 2017 amendments, and believe it is probable we will complete the Combination by the Combination Closing Deadline. Although we do not project future loan compliance violations through the Combination Closing Deadline, due to the requirement for our debt obligations to be repaid in connection with the Combination, debt of approximately $966,100, which by its terms is due beyond one year and would otherwise be shown as long-term, has been classified as current.

Our plan to maintain compliance with our covenants, satisfy our debt obligations, and continue as a going concern is to complete the aforementioned Combination, with no further financing alternatives beyond the Combination. Absent this plan, we would be unable to satisfy our debt obligations, raising substantial doubt regarding our ability to continue as a going concern; however, the Combination alleviates the substantial doubt.

Other—In addition to providing letters of credit, we also issue surety bonds in the ordinary course of business to support our contract performance. At March 31, 2018, we had $339,069 of outstanding surety bonds in support of our projects. In addition, we had $404,597 of surety bonds maintained on behalf of our former Capital Services Operations, for which we have received an indemnity from CSVC. We also continue to maintain guarantees on behalf of our former Capital Services Operations in support of approximately $50,100 of backlog, for which we have also received an indemnity.

Capitalized interest was insignificant for the three months ended March 31, 2018 and 2017.

11. FINANCIAL INSTRUMENTS

Derivatives

Foreign Currency Exchange Rate Derivatives—At March 31, 2018, the notional value of our outstanding forward contracts to hedge certain foreign exchange-related operating exposures was approximately $119,300. These contracts vary in duration, maturing up to four years from period-end. We designate certain of these hedges as cash flow hedges and accordingly, changes in their fair value are recognized in AOCI until the associated underlying operating exposure impacts our earnings. Forward points, which are deemed to be an ineffective portion of the hedges, are recognized within cost of revenue and are not material.

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 on quoted prices in active markets.
- Level 2—Fair value is based on internally developed models that use, as their basis, readily observable market parameters. Our derivative positions are classified within level 2 of the valuation hierarchy as they are valued using quoted market prices for similar assets and liabilities in active markets. These level 2 derivatives are valued utilizing an income approach, which discounts future cash flow based on current market expectations and adjusts for credit risk.
- Level 3—Fair value is based on internally developed models that use, as their basis, significant unobservable market parameters. We did not have any level 3 classifications at March 31, 2018 or December 31, 2017.

The following table presents the fair value of our foreign currency exchange rate derivatives and interest rate derivatives at March 31, 2018 and December 31, 2017, respectively, by valuation hierarchy and balance sheet classification:

	March 31, 2018				December 31, 2017			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Derivative Assets (1)								

Other current assets	$—	$1,665	$ —	$1,665	$—	$1,671	$ —	$1,671
Other non-current assets	—	562	—	562	—	556	—	556
Total assets at fair value	$—	$2,227	$ —	$2,227				