CHICAGO BRIDGE & IRON CO N V
Form 10-Q
July 24, 2015

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 June 30, 2015

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.

Incorporated in The Netherlands IRS Identification Number: Not Applicable

Prinses Beatrixlaan 35
2595 AK 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 o No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

x Yes o No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

o Yes x No

The number of shares outstanding of the registrant’s common stock as of July 17, 2015 – 106,428,590

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PART I—FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
	(Unaudited)			
Revenue	$3,207,113	$3,294,379	$6,332,858	$6,222,511
Cost of revenue	2,823,990	2,913,204	5,579,564	5,539,934
Gross profit	383,123	381,175	753,294	682,577
Selling and administrative expense	85,153	98,031	194,254	217,198
Intangibles amortization	14,942	16,822	30,594	33,056
Equity earnings	(394)	(3,165)	(4,596)	(7,330)
Other operating (income) expense, net	(685)	(261)	2,137	(645)
Integration related costs	—	9,537	—	17,604
Income from operations	284,107	260,211	530,905	422,694
Interest expense	(21,114)	(21,675)	(43,400)	(40,562)
Interest income	2,184	1,477	4,232	3,537
Income before taxes	265,177	240,013	491,737	385,669
Income tax expense	(79,289)	(72,947)	(149,100)	(115,857)
Net income	185,888	167,066	342,637	269,812
Less: Net income attributable to noncontrolling interests	(16,373)	(24,662)	(40,894)	(38,457)
Net income attributable to CB&I	$169,515	$142,404	$301,743	$231,355
Net income attributable to CB&I per share:				
Basic	$1.56	$1.32	$2.78	$2.14
Diluted	$1.55	$1.31	$2.76	$2.12
Weighted average shares outstanding:				
Basic	108,700	108,096	108,450	107,888
Diluted	109,533	109,110	109,386	109,058
Cash dividends on shares:				
Amount	$7,610	$7,567	$15,207	$15,126
Per share	$0.07	$0.07	$0.14	$0.14

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
	(Unaudited)			
Net income	$185,888	$167,066	$342,637	$269,812
Other comprehensive income (loss), net of tax:				
Change in cumulative translation adjustment	24,309	7,421	(36,125)	12,952
Change in unrealized fair value of cash flow hedges	644	(551)	(80)	(1,541)
Change in unrecognized prior service pension credits/costs	16	(92)	(520)	(135)
Change in unrecognized actuarial pension gains/losses	(4,619)	418	9,999	2,213
Comprehensive income	206,238	174,262	315,911	283,301
Net income attributable to noncontrolling interests	(16,373)	(24,662)	(40,894)	(38,457)
Change in cumulative translation adjustment attributable to noncontrolling interests	(217)	(4,323)	1,121	(5,974)
Comprehensive income attributable to CB&I	$189,648	$145,277	$276,138	$238,870

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

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

	June 30, 2015 (Unaudited)	December 31, 2014
Assets		
Cash and cash equivalents ($192,219 and $191,464 related to variable interest entities ("VIEs"))	$355,088	$351,323
Accounts receivable, net ($298,294 and $235,018 related to VIEs)	1,326,858	1,306,567
Inventory	292,244	286,155
Costs and estimated earnings in excess of billings ($38,110 and $29,677 related to VIEs)	1,605,190	774,644
Deferred income taxes	519,573	572,987
Other current assets ($247,027 and $104,447 related to VIEs)	378,532	238,783
Total current assets	4,477,485	3,530,459
Equity investments	132,480	107,984
Property and equipment, net ($20,439 and $21,868 related to VIEs)	741,469	771,651
Deferred income taxes	79,762	89,196
Goodwill	4,177,038	4,195,231
Other intangibles, net	517,804	556,454
Other non-current assets	160,824	130,056
Total assets	$10,286,862	$9,381,031
Liabilities		
Revolving facility and other short-term borrowings	$596,740	$164,741
Current maturities of long-term debt	131,096	105,997
Accounts payable ($217,676 and $279,597 related to VIEs)	1,179,056	1,256,854
Other current liabilities	874,746	804,294
Billings in excess of costs and estimated earnings ($647,741 and $282,351 related to VIEs)	2,189,584	1,985,488
Deferred income taxes	4,333	4,856
Total current liabilities	4,975,555	4,322,230
Long-term debt	1,486,085	1,564,158
Other non-current liabilities	430,359	450,626
Deferred income taxes	211,473	167,714
Total liabilities	7,103,472	6,504,728
Shareholders’ Equity		
Common stock, Euro .01 par value; shares authorized: 250,000; shares issued: 108,757 and 108,407; shares outstanding: 108,738 and 107,806	1,286	1,283
Additional paid-in capital	783,761	776,864
Retained earnings	2,533,306	2,246,770
Treasury stock, at cost: 19 and 601 shares	(947)	(24,428)
Accumulated other comprehensive loss	(288,002)	(262,397)
Total CB&I shareholders’ equity	3,029,404	2,738,092
Noncontrolling interests	153,986	138,211
Total shareholders’ equity	3,183,390	2,876,303
Total liabilities and shareholders’ equity	$10,286,862	$9,381,031

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

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

	Six Months Ended June 30, 2015	2014
	(Unaudited)	
Cash Flows from Operating Activities		
Net income	$342,637	$269,812
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	86,699	89,870
Deferred taxes	101,035	38,685
Stock-based compensation expense	37,767	49,317
Equity earnings	(4,596)	(7,330)
Other operating expense (income), net	2,137	(645)
Unrealized loss on foreign currency hedges	1,559	1,612
Excess tax benefits from stock-based compensation	(280)	(15,680)
Changes in operating assets and liabilities:		
Increase in receivables, net	(20,291)	(121,013)
Change in contracts in progress, net	(626,450)	(797,126)
(Increase) decrease in inventory	(6,089)	10,897
(Decrease) increase in accounts payable	(77,798)	95,955
(Increase) decrease in other current and non-current assets	(28,096)	1,052
(Decrease) increase in other current and non-current liabilities	(42,675)	989
Decrease in equity investments	23,626	15,823
Change in other, net	16,111	(6,581)
Net cash used in operating activities	(194,704)	(374,363)
Cash Flows from Investing Activities		
Capital expenditures	(63,717)	(58,179)
Advances to partners of proportionately consolidated ventures, net	(122,436)	—
Proceeds from sale of property and equipment	3,292	9,031
Change in other, net	(6,783)	—
Net cash used in investing activities	(189,644)	(49,148)
Cash Flows from Financing Activities		
Revolving facility and other short-term borrowings, net	431,999	494,266
Advances from proportionately consolidated ventures, net	84,936	—
Repayments on long-term debt	(52,974)	(50,000)
Excess tax benefits from stock-based compensation	280	15,680
Purchase of treasury stock	(13,887)	(66,591)
Issuance of stock	11,074	17,610
Dividends paid	(15,207)	(15,126)
Distributions to noncontrolling interests	(23,998)	(38,556)
Net cash provided by financing activities	422,223	357,283
Effect of exchange rate changes on cash and cash equivalents	(34,110)	20,039
Increase (decrease) in cash and cash equivalents	3,765	(46,189)
Cash and cash equivalents, beginning of the year	351,323	420,502
Cash and cash equivalents, end of the period	$355,088	$374,313

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

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

	Common Stock		Additional Paid-In	Retained	Treasury Stock		Accumulated Other Comprehensive	Non - controlling	Total Shareholders'
	Shares	Amount	Capital	Earnings	Shares	Amount	(Loss) Income	Interests	Equity
	(Unaudited)								
Balance at December 31, 2014	107,806	$1,283	$776,864	$2,246,770	601	$(24,428)	$(262,397)	$138,211	$2,876,303
Net income	—	—	—	301,743	—	—	—	40,894	342,637
Change in cumulative translation adjustment, net	—	—	—	—	—	—	(35,004)	(1,121)	(36,125)
Change in unrealized fair value of cash flow hedges, net	—	—	—	—	—	—	(80)	—	(80)
Change in unrecognized prior service pension credits/costs, net	—	—	—	—	—	—	(520)	—	(520)
Change in unrecognized actuarial pension gains/losses, net	—	—	—	—	—	—	9,999	—	9,999
Distributions to noncontrolling interests	—	—	—	—	—	—	—	(23,998)	(23,998)
Dividends paid ($0.14 per share)	—	—	—	(15,207)	—	—	—	—	(15,207)
Stock-based compensation expense	—	—	37,767	—	—	—	—	—	37,767
Issuance to treasury stock	—	3	15,348	—	350	(15,351)	—	—	—
Purchase of treasury stock	(339)	—	—	—	339	(13,887)	—	—	(13,887)
Issuance of stock	1,271	—	(46,218)	—	(1,271)	52,719	—	—	6,501
Balance at June 30, 2015	108,738	$1,286	$783,761	$2,533,306	19	$(947)	$(288,002)	$153,986	$3,183,390

	Common Stock		Additional Paid-In	Retained	Treasury Stock		Accumulated Other	Non - controlling	Total Shareholders'

	Shares	Amount	Capital	Earnings	Shares	Amount	Comprehensive (Loss) Income	Interests	Equity
	(Unaudited)								
Balance at December 31, 2013	107,478	$1,275	$753,742	$1,733,409	379	$(23,914)	$(119,933)	$162,859	$2,507,438
Net income	—	—	—	231,355	—	—	—	38,457	269,812
Change in cumulative translation adjustment, net	—	—	—	—	—	—	6,978	5,974	12,952
Change in unrealized fair value of cash flow hedges, net	—	—	—	—	—	—	(1,541)	—	(1,541)
Change in unrecognized prior service pension credits/costs, net	—	—	—	—	—	—	(135)	—	(135)
Change in unrecognized actuarial pension gains/losses, net	—	—	—	—	—	—	2,213	—	2,213
Distributions to noncontrolling interests	—	—	—	—	—	—	—	(38,556)	(38,556)
Dividends paid ($0.14 per share)	—	—	—	(15,126)	—	—	—	—	(15,126)
Stock-based compensation expense	—	—	49,317	—	—	—	—	—	49,317
Issuance to treasury stock	—	5	28,626	—	350	(28,631)	—	—	—
Purchase of treasury stock	(863)	—	—	—	863	(66,591)	—	—	(66,591)
Issuance of stock	1,497	—	(77,724)	—	(1,497)	111,607	—	—	33,883
Balance at June 30, 2014	108,112	$1,280	$753,961	$1,949,638	95	$(7,529)	$(112,418)	$168,734	$2,753,666

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

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CHICAGO BRIDGE & IRON COMPANY N.V.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2015
($ and share values in thousands, except per share data)
(Unaudited)

1. ORGANIZATION AND NATURE OF OPERATIONS

Organization and Nature of Operations—Founded in 1889, Chicago Bridge & Iron Company N.V. ("CB&I" or the "Company") provides a wide range of services, including conceptual design, technology, engineering, procurement, fabrication, modularization, construction, commissioning, maintenance, program management and environmental services to customers in the energy infrastructure market throughout the world, and is a provider of diversified government services. Our business is aligned into four operating groups, which represent our reportable segments. During the first quarter 2015, we realigned our four operating groups to reflect the present management oversight of our operations: (1) Engineering & Construction (formerly Engineering, Construction & Maintenance); (2) Fabrication Services; (3) Technology; and (4) Capital Services (formerly Environmental Solutions). See Note 15 for a discussion of our realigned operating groups and related financial information.

2. SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Presentation—We believe these Financial Statements include all adjustments, which are of a normal recurring nature, necessary for a fair presentation of our results of operations for the three and six months ended June 30, 2015 and 2014, our financial position as of June 30, 2015 and our cash flows for the six months ended June 30, 2015 and 2014. The December 31, 2014 Condensed Consolidated Balance Sheet was derived from our December 31, 2014 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 2014 Annual Report on Form 10-K ("2014 Annual Report").

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

Revenue Recognition—Our revenue is primarily derived from long-term contracts and is generally recognized using the percentage of completion ("POC") method, primarily based on the percentage that actual costs-to-date bear to total estimated costs to complete each contract. We follow the guidance of Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Revenue Recognition Topic 605-35 for accounting policies relating to our use of the POC method, estimating costs, and revenue recognition, including the recognition of incentive fees, unapproved change orders and claims, and combining and segmenting contracts. We primarily utilize the cost-to-cost approach to estimate POC as we believe this method is less subjective than relying on assessments of physical progress. Under the cost-to-cost approach, the use of estimated costs to complete each contract is a significant variable in the process of determining recognized revenue and is a significant factor in the accounting for contracts. Significant estimates that impact the cost to complete each contract are costs of engineering, materials, components, equipment, labor and subcontracts; labor productivity; schedule durations, including subcontractor or supplier progress; liquidated damages; contract disputes, including claims; achievement of contractual performance requirements; and contingency, among others. The cumulative impact of revisions in total cost estimates during

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

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. Backlog for each of our operating groups generally consists of several hundred contracts and our results may be impacted by changes in estimated project margins. For the three and six months ended June 30, 2015, individual projects with significant changes in estimated margins resulted in a net increase to our income from operations of approximately $16,000. For the three and six months ended June 30, 2014, individual projects with significant changes in estimated margins resulted in a net increase to income from operations of approximately $29,000.

Our long-term contracts are awarded on a competitively bid and negotiated basis and the timing of revenue recognition may be impacted by the terms of such contracts. We use a range of contracting options, including cost-reimbursable, fixed-price and hybrid, which has both cost-reimbursable and fixed-price characteristics. Fixed-price contracts, and hybrid contracts with a more significant fixed-price component, tend to provide us with greater control over project schedule and the timing of when work is performed and costs are incurred, and accordingly, when revenue is recognized. Cost-reimbursable contracts, and hybrid contracts with a more significant cost-reimbursable component, generally provide our customers with greater influence over the timing of when we perform our work, and accordingly, such contracts often result in less predictability with respect to the timing of revenue recognition. Contract revenue for our long-term contracts recognized under the POC method reflects the original contract price adjusted for approved change orders and estimated recoveries for incentive fees, unapproved change orders and claims. We recognize revenue associated with incentive fees when the value can be reliably estimated and recovery is probable. We recognize revenue associated with unapproved change orders and claims to the extent the related costs have been incurred, the value can be reliably estimated and recovery is probable. Our recorded incentive fees, unapproved change orders and claims reflect our best estimate of recovery amounts; however, the ultimate resolution and amounts received could differ from these estimates. See Note 14 for additional discussion of our recorded unapproved change orders, claims, incentives and other contract recoveries.

With respect to our engineering, procurement, and construction (“EPC”) services, our contracts are not segmented between types of services, such as engineering and construction, if each of the EPC components is negotiated concurrently or if the pricing of any such services is subject to the ultimate negotiation and agreement of the entire EPC contract. However, an EPC contract including technology or fabrication services may be segmented if we satisfy the segmenting criteria in ASC 605-35. Revenue recorded in these situations is based on our prices and terms for similar services to third party customers. Segmenting a contract may result in different interim rates of profitability for each scope of service than if we had recognized revenue without segmenting. In some instances, we may combine contracts that are entered into in multiple phases, but are interdependent and include pricing considerations by us and the customer that are impacted by all phases of the project. Otherwise, if each phase is independent of the other and pricing considerations do not give effect to another phase, the contracts will not be combined.

Cost of revenue for our long-term contracts includes direct contract costs, such as materials and labor, and indirect costs that are attributable to contract activity. The timing of when we bill our customers is generally dependent upon advance billing terms, milestone billings based on the completion of certain phases of the work, or when services are provided. Projects with cumulative costs and estimated earnings recognized to date in excess of cumulative billings is reported on the Condensed Consolidated Balance Sheet (“Balance Sheet”) as costs and estimated earnings in excess of billings. Projects with cumulative billings in excess of costs and estimated earnings recognized to date is reported on the Balance Sheet as billings in excess of costs and estimated earnings. The net balances on our Balance Sheet are collectively referred to as Contracts in Progress, net, and the components of these balances at June 30, 2015 and December 31, 2014 were as follows:

	June 30, 2015		December 31, 2014	
	Asset	Liability	Asset	Liability
Costs and estimated earnings on contracts in progress	$22,728,277	$23,308,188	$20,119,444	$26,052,767

Billings on contracts in progress	(21,123,087)	(24,995,597)	(19,344,800)	(27,479,495)
Margin fair value liability for acquired contracts (1)	—	(502,175)	—	(558,760)
Contracts in Progress, net	$1,605,190	$(2,189,584)	$774,644	$(1,985,488)

(1) The balance represents a margin fair value liability associated with long-term contracts acquired in connection with our acquisition of The Shaw Group Inc. on February 13, 2013 (the "Acquisition Closing Date"). The margin fair value liability was approximately $745,500 at the Acquisition Closing Date and is recognized as revenue on a POC basis as the applicable projects progress. We anticipate the remaining liability will be recognized as revenue over the next five years. Revenue and the related income from operations recognized during the three and six months ended June 30, 2015

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was approximately $24,600 and $56,600, respectively, compared with approximately $33,800 and $61,300, respectively, for the comparable 2014 periods.

Any uncollected billed amounts, including contract retentions, are reported as accounts receivable. At June 30, 2015 and December 31, 2014, accounts receivable included contract retentions of approximately $58,200 and $53,000, respectively. Contract retentions due beyond one year were not material at June 30, 2015 or December 31, 2014.

Revenue for our service contracts that do not satisfy the criteria for revenue recognition under the POC method is recorded at the time services are performed. Revenue associated with incentive fees for these contracts is recognized when earned. Unbilled receivables for our service contracts are recorded within accounts receivable and were approximately $83,100 and $66,900 at June 30, 2015 and December 31, 2014, respectively.

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

Our billed and unbilled revenue may be exposed to potential credit risk if our customers should encounter financial difficulties, and we maintain reserves for specifically-identified potential uncollectible receivables. At June 30, 2015 and December 31, 2014, our allowances for doubtful accounts were not material.

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

Integration Related Costs—For the three and six months ended June 30, 2014, integration related costs of $9,537 and $17,604, respectively, primarily related to facility consolidations, including the associated accrued future lease costs for vacated facilities and unutilized capacity, personnel relocation and severance related costs, and systems integration costs.

Recoverability of Goodwill—Goodwill is not amortized to earnings, but instead is reviewed for impairment at least annually at a reporting unit level, absent any indicators of impairment. We perform our annual impairment assessment during the fourth quarter of each year based upon balances as of October 1. At December 31, 2014, we had the following seven reporting units within our four operating groups:

- Engineering, Construction & Maintenance—Our Engineering, Construction & Maintenance operating group included three reporting units: Oil & Gas, Power and Plant Services.
- Fabrication Services—Our Fabrication Services operating group included two reporting units: Steel Plate Structures and Fabrication & Manufacturing.
- Technology—Our Technology operating group represented a reporting unit.
- Environmental Solutions—Our Environmental Solutions operating group represented a reporting unit.

As part of our annual impairment assessment, in the fourth quarter 2014, we performed a quantitative assessment of goodwill for each of the aforementioned reporting units. Based upon this quantitative assessment, the fair value of each of our reporting units exceeded their respective net book values, and accordingly, no impairment charge was necessary during 2014.

During the three months ended March 31, 2015, we realigned our four operating groups, which represent our reportable segments, as discussed further in Note 15. In connection therewith, we realigned our reporting units, and accordingly, we currently have the following eight reporting units within our four realigned operating groups:

- Engineering & Construction (formerly Engineering, Construction & Maintenance)—Our Engineering & Construction operating group includes two reporting units: Oil & Gas and Power. Our Plant Services reporting unit was reclassified to our realigned Capital Services operating group, as noted below.

- Fabrication Services—Our Fabrication Services operating group includes three reporting units: Steel Plate Structures, Fabrication & Manufacturing, and Engineered Products. Our Engineered Products reporting unit represents a portion of our previous Technology reporting unit.

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

- Technology—Our Technology operating group continues to represent a reporting unit, consisting of the remaining portion of our previous Technology reporting unit, after reclassification of the Engineered Products reporting unit to Fabrication Services, as noted above.
- Capital Services (formerly Environmental Solutions)—Our Capital Services operating group includes two reporting units: Facilities & Plant Services and Federal Services. Our Facilities & Plant Services reporting unit represents our previous Plant Services reporting unit and a portion of our previous Environmental Solutions reporting unit. Our Federal Services reporting unit represents the remaining portion of our previous Environmental Solutions reporting unit.

In conjunction with the aforementioned realignment of our operating groups, we allocated goodwill among our new and realigned reporting units based on the relative fair value of the reporting units being realigned. As a result, during the three months ended March 31, 2015, we performed a quantitative assessment of goodwill for each of the reporting units impacted by our operating group realignment, which included Engineered Products, Technology, Facilities & Plant Services, and Federal Services. Based on this quantitative assessment, the fair value of each of the reporting units impacted by our operating group realignment exceeded their respective net book values, and accordingly, no impairment charge was necessary as a result of the realignment. Additionally, during the six months ended June 30, 2015, no indicators of goodwill impairment were identified for any of our reporting units. If, based on future assessments our goodwill is deemed to be impaired, the impairment would result in a charge to earnings in the period of impairment.

To determine the fair value of our reporting units and test for impairment, we utilized an income approach (discounted cash flow method) as we believe this is the most direct approach to incorporate the specific economic attributes and risk profiles of our reporting units into our valuation model. This is consistent with the methodology used to determine the fair value of our reporting units in previous years. We generally do not utilize a market approach given the lack of relevant information generated by market transactions involving comparable businesses. See Note 5 for additional disclosures associated with our goodwill.

Recoverability of Other Long-Lived Assets—We amortize our finite-lived intangible assets on a straight-line basis with lives ranging from 3 to 20 years, absent any indicators of impairment. We review tangible assets and finite-lived intangible assets for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. If a recoverability assessment is required, the estimated future cash flow associated with the asset or asset group will be compared to the asset's carrying amount to determine if an impairment exists. We noted no indicators of impairment during the six months ended June 30, 2015. See Note 5 for additional disclosures associated with 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 shares (where performance criteria have been met), stock options and directors' deferred-fee shares. See Note 3 for calculations associated with basic and diluted EPS.

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

Inventory—Inventory is recorded at the lower of cost or market and cost is determined using the first-in-first-out or weighted-average cost method. The cost of inventory includes acquisition costs, production or conversion costs, and other costs incurred to bring the inventory to a current location and condition. An allowance for excess or inactive inventory is recorded based upon an analysis that considers current inventory levels, historical usage patterns, estimates of future sales expectations and salvage value. See Note 4 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. With the exception of a foreign exchange loss of approximately $11,000 included within other operating expense (income), net related to the re-measurement of certain non-U.S. Dollar denominated net assets during the three months ended March 31, 2015, foreign currency transactional and re-measurement exchange gains (losses) are included within cost of revenue and were not material for the three and six months ended June 30, 2015 and 2014.

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

- Foreign Currency Exchange Rate Derivatives—We do not engage in currency speculation; however, we utilize foreign currency exchange rate derivatives on an ongoing basis to hedge against certain foreign currency-related operating

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exposures. We generally seek hedge accounting treatment for contracts used to hedge operating exposures and designate them as cash flow hedges. Therefore, gains and losses, exclusive of credit risk and forward points (which represent the time-value component of the fair value of our derivative positions), are included in AOCI until the associated underlying operating exposure impacts our earnings. Changes in the fair value of (1) credit risk and forward points, (2) instruments deemed ineffective during the period, and (3) instruments that we do not designate as cash flow hedges are recognized within cost of revenue.

- Interest Rate Derivatives—At June 30, 2015, we continued to utilize a swap arrangement to hedge against interest rate variability associated with $391,375 of our outstanding $775,000 unsecured term loan (the "Term Loan"). The swap arrangement has been designated as a cash flow hedge as its critical terms matched those of the Term Loan at inception and through June 30, 2015. Accordingly, changes in the fair value of the swap arrangement are included in AOCI until the associated underlying exposure impacts our earnings.

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

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

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

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

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

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

If at any time a venture qualifies as a VIE, we perform a qualitative assessment to determine whether we are the primary beneficiary of the VIE and, therefore, need to consolidate the VIE. We are the primary beneficiary if we have (1) the power to direct the economically significant activities of the VIE and (2) the right to receive benefits from, and obligation to absorb losses of, the VIE. If the venture is a VIE and we are the primary beneficiary, or we otherwise have the ability to control the venture, we consolidate the venture. If we are not determined to be the primary beneficiary of the VIE, or only have the ability to significantly influence, rather than control the venture, we do not consolidate the venture. We account for unconsolidated ventures using proportionate consolidation for both our Balance Sheet and Statement of Operations when we meet the applicable accounting criteria to do so and utilize the equity method otherwise. See Note 6 for additional discussion of our material partnering arrangements.

New Accounting Standards—In May 2014, the FASB issued Accounting Standards Update ("ASU") 2014-09, which provides a single comprehensive accounting standard for revenue recognition for contracts with customers and supersedes current industry-specific guidance, including ASC 605-35. Upon adoption of ASU 2014-09, entities are required to recognize revenue using the following comprehensive model: (1) identify the contract with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue as the entity satisfies each performance obligation. ASU 2014-09 is effective for us beginning in the first quarter 2018. Our adoption of ASU 2014-09 will result in retrospective application, either in the form of recasting all prior periods presented or a cumulative adjustment to equity in the period of adoption. We are assessing the impact that the new standard will have on our Financial Statements.

In February 2015, the FASB issued ASU 2015-02, which amends existing consolidation requirements in ASC 810 and will require entities to evaluate their consolidation analysis for subsidiaries that are not wholly-owned. ASU 2015-02, which is effective for us beginning in the first quarter 2016, includes amended guidance associated with: (1) determining the consolidation model and assessing control for limited partnerships and similar entities; (2) determining when fees paid to decision makers or service providers are variable interests; and (3) evaluating interests held by de facto agents or related parties of the reporting entity. We are assessing the impact that the new standard will have on our Financial Statements.

In April 2015, the FASB issued ASU 2015-03, which changes the presentation of debt issuance costs. Upon adoption, debt issuance costs would be presented as a direct deduction from the related debt liability rather than as an asset, as currently presented. ASU 2015-03 is effective for us beginning in the first quarter 2016. We do not believe the new standard will have a material impact on our Financial Statements.

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 June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Net income attributable to CB&I	$169,515	$142,404	$301,743	$231,355
Weighted average shares outstanding—basic	108,700	108,096	108,450	107,888
Effect of restricted shares/performance shares/stock options [1]	822	980	926	1,118
Effect of directors' deferred-fee shares	11	34	10	52
Weighted average shares outstanding—diluted	109,533	109,110	109,386	109,058
Net income attributable to CB&I per share:				
Basic	$1.56	$1.32	$2.78	$2.14
Diluted	$1.55	$1.31	$2.76	$2.12

(1) Antidilutive shares excluded from diluted EPS were not material for the three and six months ended June 30, 2015 or 2014.

4. INVENTORY

The components of inventory at June 30, 2015 and December 31, 2014 were as follows:

	June 30, 2015	December 31, 2014
Raw materials	$157,241	$162,451
Work in process	38,508	38,232
Finished goods	96,495	85,472
Total	$292,244	$286,155

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

5. GOODWILL AND OTHER INTANGIBLES

Goodwill—At June 30, 2015 and December 31, 2014, our goodwill balances were $4,177,038 and $4,195,231, 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 six months ended June 30, 2015 was as follows:

	Total
Balance at December 31, 2014	$4,195,231
Foreign currency translation	(15,806)
Amortization of tax goodwill in excess of book goodwill	(2,387)
Balance at June 30, 2015	$4,177,038

As discussed further in Note 2, in conjunction with the realignment of our operating groups during the three months ended March 31, 2015, we performed a quantitative assessment of goodwill for our realigned reporting units. Based on this quantitative assessment, no impairment charge was necessary as a result of the realignment. Additionally, during the six months ended June 30, 2015, no indicators of goodwill impairment were identified for any of our reporting units. There can be no assurance that future goodwill impairment tests will not result in charges to earnings.

Other Intangible Assets—The following table provides a summary of our finite-lived intangible assets at June 30, 2015 and December 31, 2014, including weighted-average useful lives for each major intangible asset class and in total:

		June 30, 2015		December 31, 2014	
	Weighted Average Life	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Finite-lived intangible assets					
Backlog and customer relationships [1]	17 years	$369,572	$(77,203)	$380,586	$(71,257)
Process technologies	15 years	272,440	(107,448)	287,459	(105,646)
Tradenames	10 years	85,364	(24,921)	85,613	(20,301)
Total [2]	16 years	$727,376	$(209,572)	$753,658	$(197,204)

(1) Backlog and customer relationships intangibles totaling approximately $11,000 became fully amortized during the three months ended March 31, 2015 and were therefore removed from the gross carrying and accumulated amortization balances above.

(2) The decrease in other intangible assets during the six months ended June 30, 2015 primarily related to amortization expense of approximately $30,600 and the impact of foreign currency translation.

6. PARTNERING ARRANGEMENTS

As discussed in Note 2, we account for our unconsolidated ventures using either proportionate consolidation 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 unconsolidated joint ventures which have been accounted for using proportionate consolidation:

- CB&I/Zachry—We have a venture with Zachry (CB&I—50% / Zachry—50%) to perform EPC work for two liquefied natural gas (“LNG”) liquefaction trains in Freeport, Texas. Our proportionate share of the venture project value is approximately $2,600,000. In addition, we have subcontract and risk sharing arrangements with Chiyoda to support our responsibilities to the venture. The costs of these arrangements are recorded in cost of revenue.
- CB&I/Zachry/Chiyoda—We have a venture with Zachry and Chiyoda (CB&I—33.3% / Zachry—33.3% / Chiyoda—33.3%) to perform EPC work for an additional LNG liquefaction train at the aforementioned project site in Freeport, Texas. Our proportionate share of the venture project value is approximately $675,000.
- CB&I/Chiyoda—We have a venture with Chiyoda (CB&I—50% / Chiyoda—50%) to perform EPC work for three LNG liquefaction trains in Hackberry, Louisiana. Our proportionate share of the venture project value is approximately $3,100,000.

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

	June 30, 2015	December 31, 2014
CB&I/Zachry		
Current assets (1)	$224,477	$85,484
Current liabilities	$290,437	$149,891
CB&I/Zachry/Chiyoda		
Current assets (1)	$37,579	$—
Current liabilities	$41,197	$—
CB&I/Chiyoda		
Current assets (1)	$194,680	$102,035
Current liabilities	$241,238	$124,367

(1) Our venture arrangements allow for excess working capital of the ventures to be advanced to the venture partners. Such advances are returned to the venture for working capital needs as necessary. Accordingly, at a reporting period end a venture may have advances to its partners which are reflected as an advance receivable within current assets of the venture. At June 30, 2015 and December 31, 2014, other current assets on the Balance Sheet included approximately $193,600 and $71,200, respectively, related to our proportionate share of advances from the ventures to our venture partners. In addition, at June 30, 2015 and December 31, 2014 other current liabilities on the Balance Sheet included approximately $193,600 and $108,700, respectively, related to advances to CB&I from the ventures.

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

- Chevron-Lummus Global ("CLG")—We have a venture with Chevron (CB&I—50% / Chevron—50%), which provides licenses, engineering services and catalyst, primarily for the refining industry. As sufficient capital investments in CLG have been made by the venture partners, it does not qualify as a VIE. Additionally, we do not effectively control CLG and therefore do not consolidate the venture.
- NET Power LLC ("NET Power")—We have a venture with Exelon and 8 Rivers Capital (CB&I—33.3% / Exelon—33.3% / 8 Rivers Capital—33.3%), which was formed for the purpose of developing, commercializing and monetizing a new natural gas power system that produces zero atmospheric emissions, including carbon dioxide. NET Power is building a first-of-its-kind demonstration plant which will be funded by contributions and services from the venture partners and other parties. Our cash commitment for NET Power totals $47,300 and at June 30, 2015, we had made cumulative investments of approximately $13,100.

Consolidated Ventures—The following is a summary description of the 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 $5,000,000.
- CB&I/AREVA—We have a venture with AREVA (CB&I—52% / AREVA—48%) to design, license and construct a mixed oxide fuel fabrication facility in Aiken, South Carolina, which will be used to convert weapons-grade plutonium into fuel for nuclear power plants for the U.S. Department of Energy. Our venture project value is approximately $5,200,000.

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

	June 30, 2015	December 31, 2014
CBI/Kentz		
Current assets	$196,484	$220,930
Current liabilities	$207,941	$196,277
CBI/AREVA		
Current assets	$28,619	$27,006
Current liabilities	$70,159	$73,124
All Other [(1)]		
Current assets	$115,409	$130,458
Non-current assets	$20,575	$22,045
Total assets	$135,984	$152,503
Current liabilities	$37,223	$36,534

(1) Other ventures that we consolidate due to their designation as VIEs 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 to complete their obligations to us, the venture, or ultimately, our customer. This could result in unanticipated costs to complete the projects, liquidated damages or contract disputes, including claims against our partners.

7. FACILITY REALIGNMENT LIABILITY

At June 30, 2015 and December 31, 2014, we had a facility realignment liability related to the recognition of future operating lease expense for vacated facility capacity where we remain contractually obligated to a lessor. The liability was recognized within other current and non-current liabilities, as applicable, based upon the anticipated timing of payments. The following table summarizes the movements in the facility realignment liability during the six months ended June 30, 2015:

	Total
Balance at December 31, 2014	$14,354
Charges	1,614
Cash payments	(5,169)
Balance at June 30, 2015	$10,799

8. DEBT

Our outstanding debt at June 30, 2015 and December 31, 2014 was as follows:

	June 30, 2015	December 31, 2014
Current		
Revolving facility and other short-term borrowings	$596,740	$164,741
Current maturities of long-term debt	131,096	105,997
Current debt	$727,836	$270,738
Long-Term		
Term Loan: $1,000,000 term loan (interest at LIBOR plus an applicable floating margin)	$775,000	$825,000
Senior Notes: $800,000 senior notes, series A-D (fixed interest ranging from 4.15% to 5.30%)	800,000	800,000
Other long-term debt	42,181	45,155
Less: current maturities of long-term debt	(131,096)	(105,997)
Long-term debt	$1,486,085	$1,564,158

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

Committed Facilities—We have a five-year, $1,350,000, committed and unsecured revolving facility (the “Revolving Facility”) with Bank of America ("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 Revolving Facility has a $675,000 aggregate borrowing and financial letter of credit sublimit (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 as $2,140,323 at June 30, 2015. The Revolving Facility also includes customary restrictions regarding subsidiary indebtedness, sales of assets, liens, investments, type of business conducted, and mergers and acquisitions, and includes a trailing twelve-month limitation of $250,000 for dividend payments and share repurchases if our leverage ratio exceeds 1.50 (unlimited if our leverage ratio is equal to or below 1.50), among other restrictions. In addition to interest on debt borrowings, we are assessed quarterly commitment fees on the unutilized portion of the facility as well as letter of credit fees on outstanding instruments. The interest, commitment fee, and letter of credit fee percentages are based upon our quarterly leverage ratio. In the event we borrow funds under the facility, interest is assessed at either prime plus an applicable floating margin (3.25% and 0.50%, respectively at June 30, 2015), or LIBOR plus an applicable floating margin (0.19% and 1.50%, respectively at June 30, 2015). At June 30, 2015, we had $300,000 of outstanding borrowings under the facility and $201,101 of outstanding letters of credit under the facility (none of which were financial letters of credit), providing $848,899 of available capacity, of which $375,000 may be utilized for borrowings. During the six months ended June 30, 2015, our weighted average interest rate on borrowings under the facility was approximately 1.8%, inclusive of the applicable floating margin.

Effective July 8, 2015, we amended the Revolving Facility to remove the borrowing sublimit. The amended facility maintains the $270,000 sublimit for financial letters of credit, and has financial and restrictive covenants similar to those of the previous facility.

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, which supplements our Revolving Facility, has a $487,500 borrowing and financial letter of credit sublimit and includes financial and restrictive covenants similar to those noted above for the Revolving Facility. In addition to interest on debt borrowings, we are assessed quarterly commitment fees on the unutilized portion of the facility as well as letter of credit fees on outstanding instruments. The interest, commitment fee, and letter of credit fee percentages are based upon our quarterly leverage ratio. In the event we borrow funds under the facility, interest is assessed at either prime plus an applicable floating margin (3.25% and 0.50% at June 30, 2015), or LIBOR plus an applicable floating margin (0.19% and 1.50% at June 30, 2015). At June 30, 2015, we had $59,000 of outstanding borrowings and $19,529 of outstanding letters of credit under the facility (including $3,991 of financial letters of credit), providing $571,471 of available capacity, of which $424,509 may be utilized for borrowings. During the six months ended June 30, 2015, our weighted average interest rate on borrowings under the facility was approximately 3.8%, inclusive of the applicable floating margin.

Effective July 8, 2015, we amended and restated the Second Revolving Facility to increase the overall capacity to $800,000, extend the expiration date to July 8, 2020, remove the borrowing sublimit, and provide a financial letter of credit sublimit of $50,000. The amended facility has financial and restrictive covenants similar to those of the previous facility.

Uncommitted Facilities—We also have various short-term, uncommitted letter of credit and borrowing facilities (the "Uncommitted Facilities") across several geographic regions of approximately $3,575,908, of which $440,000 may be utilized for borrowings ($439,294 at June 30, 2015, net of letter of credit utilization of $706 under certain facilities). At June 30, 2015, we had $237,740 of outstanding borrowings and $1,207,918 of outstanding letters of credit under these facilities, providing $2,130,250 of available capacity, of which $201,554 may be utilized for borrowings. During the six months ended June 30, 2015, our weighted average interest rate on borrowings under the facility was approximately 1.2%.

Term Loan—At June 30, 2015, we had $775,000 outstanding on our four-year, $1,000,000 unsecured term loan (the "Term Loan") with BofA as administrative agent. Interest and principal under the Term Loan is payable quarterly in arrears and bears interest at LIBOR plus an applicable floating margin (0.19% and 1.50%, respectively at June 30, 2015). However, we continue to utilize an interest rate swap to hedge against $391,375 of the outstanding $775,000 Term Loan, which resulted in a weighted average interest rate of approximately 2.0% during the six months ended June 30, 2015, inclusive of the applicable floating margin. Future annual maturities for the Term Loan are $50,000, $150,000 and $575,000 for the remainder of 2015, 2016 and 2017, respectively. The Term Loan includes financial and restrictive covenants similar to those noted above for the Revolving Facility.

Effective July 8, 2015, we entered into a $500,000 term loan (the “Second Term Loan”). The Second Term Loan requires that $275,000 of the loan proceeds be utilized to prepay a portion of the 2017 principal due on the Term Loan. Thereafter, interest and principal under the Second Term Loan is payable quarterly in arrears beginning in June 2017 and bears interest at LIBOR plus an applicable floating margin (rates are equivalent to the Term Loan). Future annual maturities for the Second

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Chicago Bridge & Iron Company N.V.
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Term Loan are $56,250, $75,000, $75,000 and $293,750 for 2017, 2018, 2019, and 2020, respectively. The Second Term Loan has financial and restrictive covenants similar to those of the Term Loan.

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

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

Effective July 22, 2015, we entered into a $200,000 note purchase and guarantee agreement (the "New Senior Note"). Interest is due semi-annually at a fixed rate of 4.53%, with principal of $200,000 due in July 2025. The New Senior Note has financial and restrictive covenants similar to those of the Senior Notes.

Other Long-Term Debt—At June 30, 2015, we also had $42,181 outstanding on a $48,081 six-year secured (construction equipment) term loan. Interest and principal under the loan is payable monthly in arrears and bears interest at 3.26%. Future annual maturities are $3,023, $6,196, $6,401, $6,613, $6,832 and $13,116 for the remainder of 2015, 2016, 2017, 2018, 2019 and 2020, respectively.

Compliance and Other—During the six months ended June 30, 2015, maximum outstanding borrowings under our revolving credit and other facilities were approximately $1,144,240. In addition to providing letters of credit, we also issue surety bonds in the ordinary course of business to support our contract performance. At June 30, 2015, we had $689,226 of outstanding surety bonds. At June 30, 2015, we were in compliance with all of our restrictive and financial covenants associated with our debt and revolving credit facilities. Capitalized interest was insignificant for the six months ended June 30, 2015 and 2014.

9. FINANCIAL INSTRUMENTS

Derivatives

Foreign Currency Exchange Rate Derivatives —At June 30, 2015, the notional value of our outstanding forward contracts to hedge certain foreign exchange-related operating exposures was approximately $51,400. 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. 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—We continue to utilize a swap arrangement to hedge against interest rate variability associated with $391,375 of our outstanding $775,000 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 June 30, 2015. Accordingly, changes in the fair value of the swap arrangement are recognized in AOCI until the associated underlying exposure impacts our earnings.

Financial Instruments Disclosures

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

- Level 1—Fair value is based upon quoted prices in active markets.
- Level 2—Fair value is based upon internally-developed models that use, as their basis, readily observable market parameters. Our derivative positions are classified within Level 2 of the valuation hierarchy as they are valued using quoted market prices for similar assets and liabilities in active markets. These level 2 derivatives are valued utilizing an income approach, which discounts future cash flow based upon current market expectations and adjusts for credit risk.
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Level 3—Fair value is based upon internally-developed models that use, as their basis, significant unobservable market parameters. We did not have any Level 3 classifications at June 30, 2015 or December 31, 2014.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table presents the fair value of our foreign currency exchange rate derivatives and interest rate derivatives at June 30, 2015 and December 31, 2014, respectively, by valuation hierarchy and balance sheet classification:

	June 30, 2015				December 31, 2014			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets								
Derivatives [1]								
Other current assets	$—	$2,874	$—	$2,874	$—	$852	$—	$852
Other non-current assets	—	703	—	703	—	2,248	—	2,248
Total assets at fair value	$—	$3,577	$—	$3,577	$—	$3,100	$—	$3,100
Liabilities								
Derivatives								
Other current liabilities	$—	$(8,078)	$—	$(8,078)	$—	$(12,728)	$—	$(12,728)
Other non-current liabilities	—	(2,203)	—	(2,203)	—	(1,873)	—	(1,873)
Total liabilities at fair value	$—	$(10,281)	$—	$(10,281)	$—	$(14,601)	$—	$(14,601)

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

The carrying values of our cash and cash equivalents (primarily consisting of bank deposits), accounts receivable and accounts payable approximate their fair values because of the short-term nature of these instruments. At June 30, 2015, the fair value of our Term Loan, based upon the current market rates for debt with similar credit risk and maturity, approximated its carrying value as interest is based upon LIBOR plus an applicable floating margin. Our Senior Notes are categorized within level 2 of the valuation hierarchy and had a total fair value of approximately $774,200 and $785,100 at June 30, 2015 and December 31, 2014, respectively, based on the current market rates for debt with similar credit risk and maturities.

Derivatives Disclosures

Fair Value—The following table presents the total fair value by underlying risk and balance sheet classification for derivatives designated as cash flow hedges and derivatives not designated as cash flow hedges at June 30, 2015 and December 31, 2014:

	Fair Value of Derivatives Classified as Other Current and Non-Current Assets on the Balance Sheet		Fair Value of Derivatives Classified as Other Current and Non-Current Liabilities on the Balance Sheet	
	June 30, 2015	December 31, 2014	June 30, 2015	December 31, 2014
Derivatives designated as cash flow hedges				
Interest rate	$674	$2,258	$(939)	$(1,229)
Foreign currency	1,098	39	(2,622)	(4,996)
	$1,772	$2,297	$(3,561)	$(6,225)
Derivatives not designated as cash flow hedges				
Interest rate	$—	$—	$—	$—
Foreign currency	1,805	803	(6,720)	(8,376)

	$1,805	$803	$(6,720)	$(8,376)
Total fair value	$3,577	$3,100	$(10,281)	$(14,601)

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Master Netting Arrangements ("MNAs")—Our derivatives are executed under International Swaps and Derivatives Association MNAs, which generally allow us and our counterparties to net settle, in a single net payable or receivable, obligations due on the same day, in the same currency and for the same type of derivative instrument. We have elected the option to record all derivatives on a gross basis in our Balance Sheet. The following table presents our derivative assets and liabilities at June 30, 2015 on a gross basis and a net settlement basis:

	Gross Amounts Recognized (i)	Gross Amounts Offset on the Balance Sheet (ii)	Net Amounts Presented on the Balance Sheet (iii) = (i) - (ii)	Gross Amounts Not Offset on the Balance Sheet (iv)		Net Amount (v) = (iii) - (iv)
				Financial Instruments	Cash Collateral Received	
Derivatives						
Assets:						
Interest rate	$674	$—	$674	$—	$—	$674
Foreign currency	2,903	—	2,903	(293)	—	2,610
Total assets	$3,577	$—	$3,577	$(293)	$—	$3,284
Liabilities:						
Interest rate	$(939)	$—	$(939)	$—	$—	$(939)
Foreign currency	(9,342)	—	(9,342)	293	—	(9,049)
Total liabilities	$(10,281)	$—	$(10,281)	$293	$—	$(9,988)

AOCI/Other—The following table presents the total value, by underlying risk, recognized in other comprehensive income ("OCI") and reclassified from AOCI to interest expense (interest rate derivatives) and cost of revenue (foreign currency derivatives) during the three and six months ended June 30, 2015 and 2014 for derivatives designated as cash flow hedges:

	Amount of Gain (Loss) on Effective Derivative Portion							
	Recognized in OCI				Reclassified from AOCI into Earnings [1]			
	Three Months Ended June 30,		Six Months Ended June 30,		Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014	2015	2014	2015	2014
Derivatives designated as cash flow hedges								
Interest rate	$(514)	$(1,689)	$(2,222)	$(2,191)	$(453)	$(546)	$(927)	$(1,089)
Foreign currency	(285)	19	(2,740)	(47)	(1,333)	(113)	(2,470)	354
Total	$(799)	$(1,670)	$(4,962)	$(2,238)	$(1,786)	$(659)	$(3,397)	$(735)

(1) Net unrealized losses totaling $4,227 are anticipated to be reclassified from AOCI into earnings during the next 12 months due to settlement of the associated underlying obligations.

The following table presents the total value recognized in cost of revenue for the three and six months ended June 30, 2015 and 2014 for foreign currency derivatives not designated as cash flow hedges:

	Amount of Gain (Loss) Recognized in Earnings			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Derivatives not designated as cash flow hedges				
Foreign currency	$4,249	$(7,716)	$(2,283)	$(6,210)
Total	$4,249	$(7,716)	$	